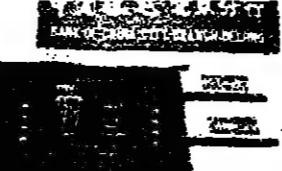


S Africa
slips on
Keys re-

After the gearbox
Developing CVT
systems for your car
Page 11



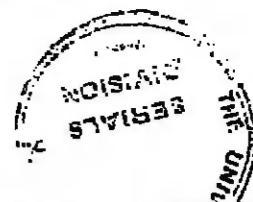
Asian appetite
US fast food
finds favour
Page 10



The People's Bank
China seeks
central authority
Page 16



Keys' successor
Christo
Liebenberg
Page 6



FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 7 1994

D8523A

Cost-cutting lifts Lufthansa to \$61m first-half profit

A combination of cost-cutting and increased revenues helped Lufthansa make pre-tax profits of DM100m (\$61.3m) in the first half of 1994, the airline said at its annual general meeting in Berlin. This is the first time the airline has made a first-half profit in five years. Chairman Jürgen Weber said was confident the airline would pay a dividend for 1994. Page 17

Aden suburbs seized: North Yemeni forces appeared close to outright victory in their two-month civil war with the South as they seized two northern suburbs of the city of Aden. Page 16

Andreotti may face fresh Mafia allegation: Former Italian prime minister Giulio Andreotti (left) could soon face more serious charges over his alleged links to the Mafia. Palermo magistrates are understood to want to bring an allegation that, by providing political protection for Cosa Nostra, the umbrella organisation of the Sicilian Mafia, the 75-year-old Christian Democrat politician was in effect part of the criminal organisation. Mr Andreotti has denied the charge. Page 2

Squires fine increases: A £600,000 (\$912,000) fine imposed on Tottenham Hotspur football club for alleged irregular payments to players was increased to £1.5m. But a Football Association appeal hearing halved the number of points to be deducted from the north London club next season from 12 to six. Tottenham's share price rose 5p to 54p. Page 9

German unemployment down: Seasonally adjusted unemployment in west Germany fell by 3,000 last month. It was the first drop since autumn 1991, and suggests a more rapid recovery than expected in the labour market. Page 2

Change of plan for Mannesmann chief: Werner Dierer, outgoing chief executive of Mannesmann, one of Germany's largest industrial companies, who steps down tomorrow will not be elected chairman of the company's supervisory board as expected. Page 2

Alitalia flights in chaos: Wildcat strikes by Alitalia cabin crew in protest at job-shedding and cost-cutting plans caused hundreds of flight cancellations at Italian airports. Further disruption is expected over the next few days. Page 2

Dublin revives World Cup party: A gala homecoming reception for the Irish Republic's World Cup football squad, called off when it appeared too few players would be returning, is to take place after all in Dublin today. Prime minister Albert Reynolds will greet some 19 of the 22-man squad together with manager Jack Charlton.

Beijing combats child labour: China published a labour law, to take effect next January, aimed at outlawing the employment of children under 16. Page 6

Weinstock stays: Britain's General Electric Company said Lord Weinstock, its long-serving managing director who will soon be 70, would stay in his job for another two years. Lex, Page 16; Details, Page 24

Kiev's finance minister goes: Ukraine's finance minister Hryhoriy Pyatachenko, much-criticised abroad for his slowness in introducing market reforms, was replaced by Petro Hermanchuk, who immediately called for an overhaul of the budget and tax system.

Insider access leads to jail: Alain Bouillot, former chief aide to the late Socialist prime minister Pierre Bérégovoy, was sentenced to two years in jail, one of them suspended, by an appeals court for his part in an insider trading scam involving the takeover of American Can by state-owned aluminium group Pechiney.

Tuck shop sculpture sets world record: A 3,000-year-old Assyrian stone relief, dismissed as worthless in the 1950s and hung since then on a school tuck shop wall next to a dartboard, sold for £7,701,500 (\$11.70m) at Christie's in London, a record for any antiquity. Staff at Canford school, Wimborne, Dorset, had assumed the whitewashed panel was a plaster replica until its recent identification. Report and picture. Page 9

New 100m world records: Leroy Burrell broke the world 100m record with a time of 9.85 seconds at a meeting in Lausanne, Switzerland.

STOCK MARKET INDICES

	IN STERLING
FTSE 100	2,948.7 (-1.9)
Yield	4.2%
FTSE Euromark 100	1,312.94 (-4.52)
FTSE All-Share	1,475.19 (-0.4%)
Index	20,28.93 (+0.54)
New York Stock	3,867.7 (+15.22)
Dow Jones Ind Ave	3,867.7 (+15.22)
S&P Composite	445.63 (-0.54)

US LUNCHTIME RATES

	DOLLAR
Federal Funds	4.5%
3-mo Treasury Bill Yld	4.08%
Long Bond	7.59%
Yield	7.59%

LONDON MONEY

3-mo Interbank

Long-term gilt rate

Bond 15-day Avg

GOLD

New York Comex

London

\$/oz

EU court ruling upsets Cyprus peace hopes

By Lionel Barber in Brussels and John Murray Brown in Ankara

A European Court of Justice ruling which in effect bans imports from Turkish-controlled Cyprus has increased the isolation of the Turkish Cypriot community and injected a new, unpredictable element into UN-backed peace efforts on the divided island.

The court order - that local export licences issued by the Turkish Cypriot authorities were not valid on the grounds that the EU recognised only the Greek Cypriot government - was condemned yesterday by Mr Rauf Denktash, Turkish Cypriot leader.

"This kind of decision obtained by the Greek Cypriots from international forums will only push the two communities to absolute and permanent separation," said Mr Denktash.

But a senior Greek Cypriot offi-

cial in Brussels described last Tuesday's ruling as far-reaching since it weakened the Turkish Cypriot community's claim to be treated as a separate legal entity. "It is the most important development on the Cyprus issue in the past 20 years."

The ban on potatoes and citrus products is a blow for the 160,000 Turkish Cypriots who formed a breakaway state after Turkish forces invaded the island in 1974.

Diplomats were trying to assess the impact of the ruling on UN efforts to broker an agreement on confidence-building measures between the Greek and Turkish communities, including the re-opening of the Turkish-held resort of Varosha and Nicosia's international airport under UN control.

According to Greek Cypriot offi-

cials, Mr Denktash was told last month that re-opening Nicosia airport would have allowed Turkish Cypriot exporters to obtain licences from the Greek authorities. "But Denktash was too greedy, he turned the offer down," said one official.

In the short term, the ban could lead Mr Denktash to stiffen resistance to a settlement, or to ask Turkey for more economic and political support, EU diplomats said.

But Greek Cypriots said the rejection of the Turkish Cypriot community's legal status could increase pressure on Mr Denktash to reach a compromise.

They pointed to the European Commission's recent move to review Cyprus's application for EU membership in early 1995 in the context of progress in resolving the dispute between the Greek and Turkish communities. This formulation was widely seen as a pressure tactic against the Turkish Cypriots.

When they go to the polls this Sunday in the second round to elect a new president, Ukrainians will still be contemplating Khmelnytsky's mixed legacy of a fleeting independence and an enduring dependence on Russia.

President Leonid Kravchuk, whose disastrous economic record led many observers to predict inevitable electoral defeat, is trying to orchestrate a political resurrection. His method, which most western and Ukrainian observers predict will bring him a slim victory in the poll on Sunday, has been to shift the campaign from economic issues to the question of Ukraine's continued existence as a separate state.

"This is a second referendum on independence," says Mr Dmytro Pavlychko, a leading figure in the national democratic opposition, turned ardent Kravchuk supporter. "That is why it is so crucial for Kravchuk to win."

To position himself as the only leader who can guarantee Ukraine's continued existence, Mr Kravchuk has launched a campaign to portray his opponent, former prime minister Leonid Kuchma, as Russia's candidate. Despite Mr Kuchma's best efforts - he has begun to speak a slightly hesitant Ukrainian and insist on his patriotism - the efficacy of Mr Kravchuk's strategy has been evident on the campaign trail and in the first round of voting, held nearly two weeks ago.

But Mr António Campos, agriculture spokesman for the opposition Socialist party, says agricultural earnings in Portugal have fallen 45 per cent over the past three years and the value of farmland has been halved in two years. The country produces only a quarter of what it eats, compared with 50 per cent in 1988, he says.

This, he claims, is a result more of inadequate government policies, than of competition in the single market. He says the earnings of Spanish farmers have increased 22 per cent since 1991 and Spain has not only conquered the horticul-

tural market in Portugal but also won 30 and 15 per cent of French and German markets respectively.

Mr Campos and other critics say

the E1.1m (£1.35bn) in EU funds

Portugal has invested in agriculture

since 1986 have been spent unwisely

and are equivalent to less than half

the loss in earnings farmers have

suffered over the same period.

An independent study shows that the bank debts of Portuguese farmers

last year totalled E830m, almost

equal to the E640m earned by the

sector, and that a third of debts are

likely to be irrecoverable.

But Mr António Cavaco Silva, the

prime minister, yesterday hit back

at critics of his agricultural policies

and denounced those clamouring to

protect the sector from European

competition. In a state-of-the nation

address to parliament, he said that

although the agricultural workforce

had been halved over the past eight

years, the value of agricultural pro-

duction was the same.

Even in central Ukraine, never a

hotbed of national sentiment, Mr

Kuchma has been faced with voters

who ask: "Would you prefer to be

the governor of Little Russia (the

tsarist term for Ukraine) or presi-

A poll about the state they're in

Ukraine's president has turned voters' minds to nationality and away from the devastated economy, write Chrystia Freeland and Jill Barshay



Khmelnytsky in Kiev: memories of brief independence

through closer economic relations with Russia are likely again to win him a majority of the vote in the east, the business community in Mr Kuchma's own bailiwick is reluctantly turning to the incumbent.

"I support Mr Kravchuk," said Mr Alexander Bilianda, of general manager of Azovstal, Ukraine's largest steel-mill and one of the few state enterprises in the country which is beginning to reform. "Mr Kuchma is from the old, privileged military-industrial complex and he sees the old system through rose-coloured glasses. At least if Mr Kravchuk is re-elected we can hope that he will allow the cabinet of ministers to run the economy and concern himself with politics."

A growing number of Ukrainians are putting their faith instead in Mr Vitali Masol, the new prime minister. His past as a Communist party functionary would appear to disqualify him from acting as an agent of market reforms, but progressive cabinet ministers and industrialists throughout the country have begun to say that Mr Masol, like his Russian counterpart, Mr Victor Chernomyrdin, has undergone a political conversion to the market.

There was some evidence of this yesterday when Ukraine's minister of finance, Mr Hryhorii Pyatachenko, who was widely seen as inept, was replaced by Mr Petro Hermanchuk, who speaks for the sorts of reform the International Monetary Fund would like to see.

If Mr Masol does begin market reforms, he will have to contend with the hard-line left who make up the largest bloc in parliament, led by the socialist speaker, Mr Oleksandr Moroz. But outside the central government, a constituency for reform is slowly growing.

Reform-minded politicians have done well in municipal and local elections. Reformist mayors stand a good chance of winning on Sunday in Kiev and Odessa and reformers have done well on a local level even in eastern Ukraine, where the communists made their strongest showing in parliamentary elections in April.

When Ukrainians elected their first president in 1991 they went to the polls with the festive spirit of a nation ridging itself of centuries of Russian domination and decades of communist rule. Their government's lacklustre performance over the past three years has made them more cynical. No matter who they elect on Sunday, few Ukrainians have much hope that their next president will be the source of real, desperately needed, change.

Competition brings hard times for Portugal's farmers

By Peter Wise in Lisbon

Competition within the European single market is cruelly exposing the backwardness of Portuguese agriculture. Red Cross workers began delivering food parcels this week to the destitute families of unemployed farm workers in the Alentejo, the southern grain, wine and olive-growing region.

Angry fishermen in the northern port of Matosinhos yesterday attacked two Spanish lorries, tipping into the street the fish that Spanish companies manage to truck into Portugal faster and cheaper than local fishermen can land their catches.

The Trade Ministry yesterday announced an inquiry into commercial practices in the dairy sector after bitter complaints by Portuguese co-operatives that an Italian company was using unreasonably aggressive tactics to win a share of the Portuguese milk market.

Farming and fishing have been central to the Portuguese economy for centuries and strong emotions are being aroused by an increasingly visible withering of the sector. The numbers of agricultural work-

ers has fallen from 20 per cent of the total workforce in 1986, when Portugal joined the European Union, to 10 per cent today.

In particular, the plight of farm workers in the Alentejo, once the heartland of Portuguese agriculture, is aggravating tensions between the centre-right government and its critics. Meagre state subsidies are not enough to support the families of unemployed labourers in a region where the jobless rate is almost double the Portuguese average and the suicide rate is the highest in Europe.

Mr António Campos, agriculture spokesman for the opposition Socialist party, says agricultural earnings in Portugal have fallen 45 per cent over the past three years and the value of farmland has been halved in two years. The country produces only a quarter of what it eats, compared with 50 per cent in 1988, he says.

This, he claims, is a result more of inadequate government policies, than of competition in the single market. He says the earnings of Spanish farmers have increased 22 per cent since 1991 and Spain has not only conquered the horticul-

tural market in Portugal but also won 30 and 15 per cent of French and German markets respectively.

Mr Campos and other critics say

the E1.1m (£1.35bn) in EU funds

Portugal has invested in agriculture

since 1986 have been spent unwisely

and are equivalent to less than half

the loss in earnings farmers have

suffered over the same period.

An independent study shows that the bank debts of Portuguese farmers

last year totalled E830m, almost

equal to the E640m earned by the

sector, and that a third of debts are

likely to be irrecoverable.

But Mr António Cavaco Silva, the

prime minister, yesterday hit back

at critics of his agricultural policies

and denounced those clamouring to

protect the sector from European

competition. In a state-of-the nation

address to parliament, he said that

although the agricultural workforce

had been halved over the past eight

years, the value of agricultural pro-

duction was the same.

Even in central Ukraine, never a

hotbed of national sentiment, Mr

Kuchma has been faced with voters

who ask: "Would you prefer to be

the governor of Little Russia (the

tsarist term for Ukraine) or presi-

dent?"

To position himself as the only

leader who can guarantee Ukraine's

continued existence, Mr Kravchuk

has tried to play up his role as a

nationalist and anti-Russian

symbol.

He has also tried to play up his

role as a champion of the poor and

dispossessed.

But he has failed to live up to his

supporters' hopes that he would

offer a clear economic alterna-

tive to the administration.

Mr Kuchma has promised to alter

Ukraine's punitive taxation policies

its fixed exchange-rate system

which discourages exports and

speed up privatisation. So has Mr

Kravchuk.

Russian pawn owes less to his real convictions than to Mr Kravchuk's political skill. His past as a Communist party functionary would appear to disqualify him from acting as an agent of market reforms, but progressive cabinet ministers and industrialists throughout the country have begun to say that Mr Kravchuk, like his Russian counterpart, Mr Victor Chernomyrdin, has undergone a political conversion.

If Mr Kravchuk does begin market reforms, he will have to contend with the hard-line left who make up the largest bloc in parliament, led by the socialist speaker, Mr Oleksandr Moroz. But outside the central government, a constituency for reform is slowly growing.

Reform-minded politicians have done well in municipal and local elections. Reformist mayors stand a good chance of winning on Sunday in Kiev and Odessa and reformers have done well on a local level even in eastern Ukraine, where the communists made their strongest showing in parliamentary elections in April.

When Ukrainians elected their first president in 1991 they went to the polls with the festive spirit of a nation ridging itself of centuries of Russian domination and decades of communist rule. Their government's lacklustre performance over the past three years has made them more cynical. No matter who they elect on Sunday, few Ukrainians have much hope that their next president will be the source of real, desperately needed, change.

Every day,
millions of American
TV viewers turn on to
THOMSON Technology.

THOMSON TCE

THOMSON / TELEFUNKEN / RCA / GE / BRANDT / NORDMENDE / FERGUSON / SABA

Number one in America.

Little wonder

that today,

Thomson is

America's

market-leader

in both TV

and video sales.

Way ahead of

its nearest rivals.

NEWS: THE AMERICAS

Bolivar pegged in new foreign exchange controls

Caracas fixes single rate against dollar

By Joseph Mann in Caracas

The Venezuelan government announced a single exchange rate of 170 bolivars to the US dollar late on Tuesday, following more than a week of deliberations on new foreign exchange controls.

On June 23, the last day of trading, the bolivar stood at about 200.81, down from 106 at the end of 1993.

The imposition of exchange controls came after months of heavy pressure on Venezuela's international reserves, caused by a crisis in the banking system, much rumour and a marked deterioration in the economy.

Announcing the controls, Mr Julio Sosa, finance minister, said he hoped they would be temporary. They would be accompanied by a series of macroeconomic measures aimed to balance the 1994 and 1995 budgets, he said, giving no details.

The government had rejected the idea of a parallel free market in foreign exchange, he said, because it feared "destabilising agents" would create an unacceptable gap between the official rate and the parallel rate. Any foreign exchange

trading outside the official system would be illegal and subject to penalties, he warned.

The controls will cover imports, expenses of Venezuelan students abroad, external debt payments for the public and the private sector, spending by travellers, and "small remittances" by foreigners in Venezuela to relatives abroad.

Officials stressed that the government would meet all international commitments and provide foreign exchange to international investors, to allow for profit remittances.

Mr Sosa also argued that the new exchange rate would help international investors, by removing the penalty of the "speculative" exchange rates seen in recent months.

He said the system of assigning foreign exchange would be "highly automated and transparent", and would be set up with the help of PDVSA, Venezuela's national oil company.

However, foreign exchange trading at the new rate was not to resume yesterday, as planned, due to "technical questions" at the central bank. Commercial banks said yesterday that they expected trading to resume on Monday.

The new programme is Ven-

uela's fourth foreign exchange system since President Rafael Caldera took office in February. The first was a crawling-peg system used by the central bank until its president, Mrs Ruth de Krivo, resigned at the end of April over disagreements with the Caldera administration. This was followed briefly by a limited auction system at the central bank, then by a modified version of a Dutch auction, in effect until June 22.

Mr Sosa stressed that the government has enough monetary reserves to meet Venezuela's import and foreign debt obligations, but not enough to finance capital flight. Officials estimate "normal" foreign exchange sales to be about \$30m (\$19.5m) each business day. PDVSA supplies the central bank with about \$60m a day from oil exports.

The central bank has not issued figures on monetary reserves since April, when the bolivar began to slip, but a Caracas daily, citing figures from the government planning office, reported that gross international reserves at the end of May stood at \$9.5bn, down 21 per cent from \$12.5bn at the end of 1993.

Paraguay seeks private finance for \$4bn dam

By Stephen Fisher,
Latin America Editor

The Paraguayan government is seeking private participation in the country's third giant hydro-electric project.

President Juan Carlos Wasmosy said yesterday.

The 4,000MW Corpus Christi dam would lie between two huge existing hydro-electric dams, Yacyretá and Itaipú.

According to initial engineering projections, the \$4bn (\$2.6bn) Corpus dam would be more efficient than either and yield an internal rate of return on investment of 27 per cent.

If built, it would be by far the largest electrical project in the world financed by the private sector. Mr Wasmosy has

agreed with President Carlos Menem of Argentina to privatise the Yacyretá dam, on the Argentine-Paraguayan frontier.

Speaking in London, Mr Wasmosy said the government also intended to move ahead with its privatisation plans. It wants, through joint ventures or privatisation, to divest itself of five enterprises: the steel and cement plants, the merchant fleet, an alcohol and spirit plant, the railway system and the national airline.

According to ministers travelling with the president, bidding for the money-losing airline, which has caused

operations, will open on July 8. A draft law now before Congress will give workers and suppliers 10 per cent each of

the privatised companies at concessionary terms. Telephone, water, electricity utilities and some other companies will remain in government hands.

Mr Wasmosy said a summit of heads of state of Mercosur, the trade group which includes Brazil, Argentina and Uruguay, will take place on August 5 to finalise details of a common external tariff. He was confident this would take effect at the beginning of next year. Yesterday he met Mr John Major, UK prime minister, and Mr Douglas Hurd, foreign secretary, signing accords on investment protection and on co-operation against drug trafficking.

Right: President Wasmosy



Menem condemns 'senseless' union protest

By Carmen Pignotti in Buenos Aires

Thousands of demonstrators yesterday converged on Buenos Aires, the Argentine capital, for a rally against the government's economic policies as President Carlos Menem criticised the nationwide protest by public sector unions as "senseless".

The president said that the so-called Federal March, the largest protest against his free-market reforms since he took office in mid-1992, was "a direct

blow to the country, not the government".

"It's a senseless and aimless march,"

Mr Menem said. "They will achieve absolutely nothing."

The streets of Buenos Aires were nearly empty early yesterday as police cordoned off access routes to guarantee security during the rally, which drew thousands of disgruntled civil servants, students and a handful of farmers.

The march, backed by trade unions and political parties ranging from the

hard left to the ultra-nationalist right, set off from Argentina's northern and southern tips on Monday. By noon yesterday, some 15,000 protesters had reached the capital and the count was expected to hit 40,000 as four huge convoys of buses wound their way into the city.

"Argentines are not going to shoot themselves in the foot," he said.

He also appealed for support from employers, urging them to punish workers by docking pay for days spent absent at protests.

WORLD CUP

Where dribbling is child's play

Peter Berlin in New York on the next generation of soccer fans and the star players they idolise



Soccer in the US is the world's largest child-minding service. The US Soccer Federation claims 16m registered players - more than any other Fifa member - of whom most are children.

At World Cup games, middle-aged mums and dads are a common sight. Almost always they are being led through colourful crowds by an excited child wearing a T-shirt commemorating his or her participation in some age-group soccer tournaments.

Fifa and the World Cup organisers have played the child card ruthlessly. The ceremonies at each stadium consist largely of poorly-drilled hordes of children, clad in youth-league kit, parading round the ground holding flags and balloons.

Before each game, half-a-dozen children carry the yellow "Fair Play Please" banner on to the field to the tune of the Fifa anthem. There is calculated naivety in this as anyone who can recall their childhood soccer - or who has watched children playing unsupervised - will know.

Park or playground "rules" are highly negotiable. Touchlines and goal-lines are elastic. Goalkeepers change without warning. Games often end in heated, perhaps violent debate over some foul.

Yet one thing children rarely do is kick each other. And suddenly the professionals are kicking each other much less often, too - not in the interests of fair play but because referees have been punishing them.

The World Cup record for yellow cards, 163, set in Italy four years ago, was broken last Saturday, the mid-way point. By Tuesday the total was 158 after 44 matches. Sendings-off are rising - five in the last three second-round games - leaving matches with the unbalanced look of park games, where sides always seem to be picked from an odd number of players.

There is another influence at work. The heat has sapped the professionals' stamina. Last Saturday's

game between Saudi Arabia and Sweden, in blazing afternoon Dallas, resembled a three-hour game between 11-year-olds in a hot summer park.

The impression that this was a children's game was heightened by the way the Saudis play. The Swedes are typical products of western European professional soccer - scouted by clubs in their teens or earlier, coached from an early age, accustomed from youth to playing in organised leagues.

They have been taught to forget what every child knows about soccer. With the exception of Tomas Brodin and, once, Kenneth Andersson, the Swedes know better than to dribble the ball past opponents.

They know that if they dribble they will be kicked, or might lose the ball - the cardinal sin - and have no-one to blame. How much easier not to take chances.

But the Saudis took risks. Time and again Saad Owairan tried to unpick the Swedish defence, as he had Belgium's, with many dribbling. Hamzah Falsetti tormented the full-backs with feints and dummy runs. Finally, Fahad Al-Ghashiyan scored the goal his team deserved with a move straight from the park.

Where most European pros, wide by the goal-line and confronted by a defender, have turned and rolled the ball back down the wing to a supporting player, Fahad Al-Ghashiyan did what any child unaccustomed by failure, unwilling to surrender the precious ball, eager to show off, would have tried. He ran at his man, beat him and banged home a goal.

This childlike quality, not to be confused with innocence or underdevelopment, has not been totally expunged from European soccer. Jason McAteer, at 24 one of the babes of the Irish squad, started the season unsure of a regular place at Bolton Wanderers, a lowly English first division team. He ended it by playing in the World Cup, chasing Franco Baresi round Giants Stadium. McAteer was a breath of fresh air, trying to dribble at Paolo Maldini or flick the ball over Frank Rijkaard's head.

There was always a Gheorghe Hagi in the park of my childhood. Hagi is the best boy on the field, and knows it. He often expects the other Romanians of Brazil, refusing to pass to team-mates in better positions, abandoning his position to drop back to mid-field because he wants more of the ball, refusing to acknowledge team-mates who create scoring chances for him, yet somehow much more interesting than the equally talented, nice, more mature Bebeto.

There was always a Gheorghe Hagi in the park of my childhood. Hagi is the best boy on the field,

The Saudis do not just dribble. They also take evident pleasure in the feel of the ball. Each pass was delivered with an unnecessary but attractive flourish; each pass received with a little jiggle of joy.

One of the delights of this tournament has been the reminder that the range of soccer possibilities is a wide one. The Asian and African teams, Brazil, Mexico and Colombia, have all solved the simple problems of soccer in distinct ways.

They kick and trap the ball differently. Their formations are different. In familiar situations they produce unfamiliar passes, or dribble when they should not. But dribbling takes courage, flamboyance and close-ball skills.

Children in playgrounds and parks all over Europe will try to emulate them, just as they always try to emulate players who bring the most childlike qualities into play. This is why Ryan Giggs, Manchester United's child-faced dribbler, is the hottest commercial property in English soccer.

It is why the most interesting players in this World Cup are those who remain recognisably children playing a children's game, such as baby-faced Gary Kelly, the Irish full-back, who insisted on dribbling out of defence, risking all for a chance to display his pace and skill. There is Marc Overmars, the tiny Dutch winger, one of several examples of the success of the Dutch system in nurturing a youngster's love of the park.

There is pudgy Tomas Brodin of Sweden and Sergi, the dribbling Spaniard. Nigeria fielded an entire team composed of players barely out of their teens.

There is Romario of Brazil, refusing to pass to team-mates in better positions, abandoning his position to drop back to mid-field because he wants more of the ball, refusing to acknowledge team-mates who create scoring chances for him, yet somehow much more interesting than the equally talented, nice, more mature Bebeto.

There was always a Gheorghe Hagi in the park of my childhood. Hagi is the best boy on the field,



Brazil's Bebeto in anguish after a miss in the game against the US

and knows it. He often expects the other Romanians of Brazil, refusing to pass to team-mates in better positions, abandoning his position to drop back to mid-field because he wants more of the ball, refusing to acknowledge team-mates who create scoring chances for him, yet somehow much more interesting than the equally talented, nice, more mature Bebeto.

And then there is the greatest child-genius of all: Diego Maradona, who carried the hopes of Argentina from his early teens, a player deprived of a childhood, except that his whole life has been a childhood. After his drug-fest he blamed other people - adults - for his downfall.

Maradona. A child playing a child's game without a child-minder. It shouldn't have been allowed.

Children, as adults often forget, can be clear-eyed and forgiving in judging fallen heroes. If you go down to the park today, among the children imitating Saeed Owairan's dribbles, Martin Dahlin's flying headers, Romario's shooting and the Cameroonian goal wiggle, there will be others trying to emulate Maradona's goal against Greece and his screaming, eye-bulging, celebratory run at the camera afterwards.

Maradona. A child playing a child's game without a child-minder. It shouldn't have been allowed.

Brazilian star faces Fifa ruling on suspension

■ Quarter-Finals

Saturday, July 9
Match A: Spain vs Italy
Boston 8pm
Match B: Holland vs Brazil
Dallas 8.30pm

Sunday, July 10
Match C: Germany vs Bulgaria
New Jersey 8pm
Match D: Romania vs Sweden
San Francisco 8.30pm

■ Semi-Finals

Wednesday, July 13
Winner match A vs Winner match C,
New Jersey 8pm
Winner match B vs Winner match D,
Los Angeles, 12.30am Thurs

■ Final

Sunday, July 17
Los Angeles 8.30pm

In the World Cup, said Lutz Adeler-Schener, president of the manufacturers' association.

Tournament marks high and low points

World Cup highlights after 44 games:

Most goals in one game by one player: Oleg Salenko, Russia, five goals against Cameroon, June 23; Russia won 6-1.

Most cards in one game: 10 cards in Italy-Nigeria, July 5 (nine yellow, one red), and 10 in Mexico-Bulgaria, Dallas, July 5 (eight yellow, two red).

Celebrations were marred in Naples where Salvatore Oliva, 7, was accidentally killed when his 15-year-old cousin fired his father's pistol to celebrate, news reports said. The cousin was charged with manslaughter.

Largest crowd: 93,869 at US-Romania, Pasadena, June 26. Some 2.8m spectators watched the first 44 matches.

Smallest crowd: 44,123, Nigeria-Bulgaria, Dallas, June 21.

Most-watched game in the US: America's 1-0 second-round loss to Brazil, July 4, was the highest-rated soccer telecast ever. In the US, Nielsen Media Research said ABC Television estimated that 32m viewers tuned in.

Penalties: 13 have been awarded in regulation time, and all produced goals.

Car output falls during Brazil games

Brazil's car production last month was 6.8 per cent higher than a year earlier, but 8.5 per cent down on May. The fall was due to time lost watching Brazil play

and the latest news and

information provided by EDS.

Over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over three billion television sets around the world will be providing

over

Clinton's policy options shrinking on Haiti

By Jeremy Kahn in Washington

A new US approach on refugees and the dispatch of a Navy amphibious assault group may have bought some time for the Clinton administration over Haiti, but critics charge that it is quickly sinking into a policy crisis.

Haitians have gone to sea in record numbers since May when President Bill Clinton reversed a standing policy - begun under the Bush administration - of returning all Haitians picked up at sea to Haiti for US processing.

Asylum hearings started on naval

ships stationed near Jamaica and on the Turks and Caicos Islands, prompting reports that the floating processing centre near Jamaica was granting asylum at three times the rate of the processing in Haiti.

In an attempt to stem the tide of sea-borne refugees prompted by such reports, the administration switched policy again. The US now will no longer offer boat people asylum but will provide up to 10,000 of them safe haven in Panama, under a six-month bilateral agreement. Other safe-haven agreements are being arranged with the Caribbean states of Dominica and Antigua.

Mr William Gray, Mr Clinton's special adviser on Haiti, defends the new policy as a continuation of Mr Clinton's decision not to return all Haitians to a country where they face possible persecution. The new policy was necessary, he says, to prevent more drownings at sea, while providing safety for those fleeing the Caribbean state.

Mr Gray has also said the dispatch of more warships to the region was necessary to safeguard the lives of US citizens and dual nationals - 4,000 of whom are still in Haiti - as well as the lives of 2,700 other foreigners, including UN officials.

Mr Gray is confident that the administration will be able to restore exiled President Jean-Bertrand Aristide to power, either by diplomacy or by force. He said yesterday that Haiti's military regime would not be in power six months from now.

For the Clinton administration, the clock is ticking and the number of policy options is shrinking. The safe havens being set up under the new US policy are only temporary. Amnesty International and other groups have documented an increasing number of human rights violations - including the use of rape to intimidate Aristide supporters - and

there are varying reports on the effectiveness of sanctions against the regime of Lt-Gen Raoul Cedras.

Many observers believe Gen Cedras' links to Colombian drug cartels - which shipped by some estimates \$250m (£162m) to \$500m worth of cocaine through Haiti last year - and to the government in the neighbouring Dominican Republic will enable him to hang on indefinitely, raising the spectre of US military intervention.

The Pentagon's decision to send four amphibious assault ships carrying 2,000 Marines to the region is an attempt to put pressure on Gen Cedras, whose army consists of no more than 7,000 ill-trained and ill-equipped men, to step down. The US is reported to have offered him and other leading members of the military regime money and promises of amnesty if they leave Haiti.

But there is a risk that the military junta will call Mr Clinton's bluff, forcing US military action.

Experts warn that Haiti is fast

becoming a defining issue for Mr Clinton. As the Marines sail for Haiti and the State Department scrabbles for a diplomatic solution, the next few weeks will determine if US policy on Haiti sinks or swims.

By Martin Dickson
in New York

Four of America's "Baby Bell" local telephone companies yesterday launched a legal battle aimed at freeing them from a 10-year ban on competing in the long-distance telecommunications market and from manufacturing telecommunications equipment.

The campaign ran into strong opposition from consumer groups and long-distance telephone companies, arguing that the ban should not be lifted because the Baby Bells remained local monopolies.

Bell Atlantic, BellSouth, Nynex and Southwestern Bell filed a motion asking Judge Harold Greene of the federal district court in Washington, DC, to give up the powers he wields over the seven Baby Bells under the Modified Final Judgment.

This is the legal settlement of an anti-trust case which led in 1984 to the spin-off of the Baby Bells from AT&T, which was left with its long-distance operations and equipment manufacturing. Because of their local monopolies, the Baby Bells were banned from these markets.

The Bells said changed telecommunications market conditions made the MFJ contrary to the public interest. They produced evidence from 47 prominent economists who argued that lifting the judgment would increase price competition in the long-distance market and promote the invention of better telecommunications equipment. They also claimed that they faced local competition from other telecommunications companies.

However, opponents of the Bells' entry into the long-distance market pointed out that they still account for some 98 per cent of telecommunications traffic in their local regions.

The Bells said the court case was a parallel initiative to their push for favourable congressional legislation.



Bretton Woods: Looking to the future. 1900 M St NW Suite 450 Washington DC 20036

IMF and World Bank 'must adapt to new global financial landscape'

Sweeping reform of the International Monetary Fund and World Bank is needed if these institutions are to remain relevant after radical changes in the global financial landscape since their creation 50 years ago at Bretton Woods, New Hampshire, an independent commission says.

The IMF should concentrate on managing the global monetary system and play less of a role as a development agency. The Bank should focus on promoting growth of the private sector in third world countries and improve its overall efficiency by rationalising activities and sharply cutting staff.

The recommendations for far-reaching changes in the goals and organisation of the IMF and Bank were released yesterday in a report by the Bretton Woods Commission, an independent group led by Mr Paul Volcker, the former chairman of the US Federal Reserve, and containing former senior ministers, central bankers, academics and private-sector financial experts.

The commission also proposes radical reforms of the international monetary system to reduce exchange rate volatility and improve the prospects for sustained economic growth. The long-term goal should be the creation of "flexible exchange rate bands" - or target ranges - for the dollar, D-Mark and yen.

However, the commission

says, a managed system of currency zones would not be feasible immediately. The leading economies must first strengthen their macroeconomic policies, for example by cutting budget deficits, and achieve greater economic convergence on key variables such as inflation.

The report says the IMF should be given the central role in co-ordinating macroeconomic policies and in developing and implementing the proposed new system of flexible exchange rate bands. The commission believes such a task can be undertaken only by an institution such as the IMF; it cannot be achieved through ad hoc consultation among Group of Seven finance ministers - an unrepresentative group that lacks even a permanent secretariat.

The quid quo pro for a larger role in global monetary management - the task for which the IMF was designed - is that the Fund should withdraw from much of its work in developing countries and the formerly centrally planned economies. It should "avoid harsh or inappropriate" conditions on loans as generally invalid. However, the IMF should "explain itself better and be less secretive about its operations". It needs to seek broader public support for economic reforms by conducting negotiations more openly and by publishing more of its analysis.

The commission also notes a mission urges more effective co-operation between the two institutions, including sharing of "data, training and research". At present both have large research departments.

The commission says criticism of the IMF for imposing "harsh or inappropriate" conditions on loans is generally invalid. However, the IMF should "explain itself better and be less secretive about its operations". It needs to seek broader public support for economic reforms by conducting negotiations more openly and by publishing more of its analysis.

The commission indicates that the Bank's Articles, which do not allow it to lend to the private sector except with a

disturbing decline in the quality of executive directors to the IMF and Bank in recent years and argues that both institutions need to create formal mechanisms whereby they can receive advice from outsiders. One option would be to set up external advisory committees of senior individuals from the private sector.

The commission considered arguments for the abolition of the Bank but concluded it has an important role to play in promoting development, despite the greatly increased availability of private-sector equity and bond finance. However, it argues that sweeping changes are needed in both the Bank's goals and internal organisation.

The report says the Bank still focuses too heavily on promoting public-sector development projects. It should, but does not, operate on the maxim that "development assistance should be directed only at what the private sector cannot or will not do".

The Bank does too little to speed the transformation from state to market and still supports "too many state-owned enterprises". It has failed to adapt to a world that has moved from public sector dominance towards private enterprise and free markets.

The commission indicates that the Bank's Articles, which do not allow it to lend to the private sector except with a

government guarantee, are no longer appropriate. But rather than change the Articles, it says, the Bank should expand affiliates such as the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (Miga) that are not so constrained. It should also "revitalise its co-financing programmes" with private lenders.

The report stresses that the IFC's ability to promote private sector development is seriously hampered by its limited capital. The Bank should assign the IFC "additional resources of people and finance". The IFC could then help stimulate larger volumes of private financing, for example for infrastructure projects, allowing a shrinkage of the Bank proper.

The commission says the Bank should work harder to "concentrate its assistance in those countries where the need is greatest". In the staff review attached to the main report it says the Bank should apply a "market access", as well as an income test when considering offering support. Countries that are able to borrow at reasonable rates from international capital markets should cease to qualify for Bank loans, even if they are poor.

However, the Bank's main shareholders should continue to fund the International Development Agency (IDA), the Bank affiliate that makes soft loans to the poorest countries. But the threshold income level at which soft loans are available and impose stiffer "graduation requirements" - in other words stop giving IDA loans to countries that do not need concessional assistance.

The report says the Bank could play a valuable role in co-ordinating and directing the development assistance presently offered on an ad hoc basis by numerous other agencies and governments. It should also co-operate more closely with the regional development banks and try not to duplicate their work.

The commission is critical of the Bank's internal organisation and says steps to improve its efficiency and effectiveness

should be an urgent priority.

"There is scope for the Bank to shed staff significantly as it becomes more efficient and for both the Bank and the regional banks to consolidate as they rationalise their responsibilities."

In the staff review, the commission notes that "as little as 7 per cent of the time of a task manager - a front-line officer responsible for relations with clients - is spent in actual contact with the country on which he or she works." This suggests there is "extraordinary scope" for the Bank "to reduce the time staff spend talking and writing to one another".

Bretton Woods: Looking to the Future. 1900 M St NW Suite 450 Washington DC 20036

On the Information Superhighway,
America's on the move
with THOMSON Technology.

THOMSON TCE

THOMSON / TELEFUNKEN / RCA / GE / BRANDT / NORDMENDE / FERGUSON / SABA

Technology that's won over America.

Thanks to Thomson
Digital Technology, the world's first 150 channel satellite TV receiver (DSS) is now a reality. Proof indeed that when it comes to digital technology, TCE leads the world.

There is
one thing
more than
losing your
team
knowing

Jordan, Egypt to join Gaza talks

By David Buchan in Paris

Israeli and Palestinian leaders yesterday agreed to invite Egypt and Jordan to join them in a conference on Palestinian refugees and to create joint committees to discuss unresolved issues on the Gaza-Jericho accord and the transfer of civilian responsibilities to Palestinians in the rest of the West Bank.

Israeli Prime Minister Yitzhak Rabin and Mr Shimon Peres, his foreign minister, met Mr Yassir Arafat, leader of the Palestine Liberation Organisation, in Paris yesterday.

After their first meeting since their May 4 agreement in Cairo on self-government for Gaza and Jericho, they were due last night to resume their discussions.

The two sides remain in disagreement over the number of Palestinian refugees displaced by the 1967 war, with Israel apparently putting the number at 200,000; the PLO estimates the number at 860,000.

Mr Arafat said his meeting with Israeli leaders had been "positive and fruitful". But he urged Mr Rabin to show "more co-operation and comprehension" to reinforce the peace agreements, first signed last September in Washington.

He said he had raised the issue of Israel's detention of Palestinians and its "isolation of Jerusalem" from the peace process.

Reuter adds from Tunis: A member of the Palestinian authority set up to run the Gaza Strip and Jericho will attend a business meeting in East Jerusalem on July 20, he said yesterday.

Mr Ahmed Korsi, better known as Abu Ala, who is in charge of economy and trade in the Palestinian authority, said he had accepted an invitation to address a meeting expected to be attended by 500 Palestinian businessmen from the West Bank and the Gaza Strip, who is

King Hussein of Jordan began talks with Egypt's President Hosni Mubarak on Amman's accelerated peace process with Israel, due to pick up later in July. Mr Mubarak welcomed the king at Alexandria airport and brought him to the presidential palace by helicopter.

Officials in Amman said King Hussein wanted to strengthen his country's ties with Egypt ahead of the first Jordanian-Israeli negotiations later this month. The two leaders will also discuss plans to set up a committee with the PLO and Israel to deal with Palestinian refugees from the 1967 Middle East war and regional economic co-operation, before they can sign a peace deal.

Liebenberg, tough player who delivers the goods

Mark Suzman looks at the career and prospects of South Africa's future finance minister

Morgan Guaranty in New York. En route, he picked up qualifications from the Institute of Bankers, instead and Harvard.

Under his leadership, Nedcor became increasingly involved in social policy. The Pern, its mortgage arm, is the biggest provider in the black home loan market, and his appointment has met with the approval of both President Nelson Mandela's African National Congress and Mr F W du Plessis' National party.

So profound has been the influence of Mr Keys during his two years at South Africa's economic tiller, and so deep the dismay at his departure, that relatively little attention has so far been focused on Mr Liebenberg, and what he is likely to do with the job.

None the less, as replacements go, Mr Liebenberg is among the most credible. He retired in February as chief executive of Nedcor, South Africa's fourth largest banking and financial services group, where he had built a solid reputation as a dedicated and hard-working executive.

Born in 1924 in the small town of Touwsrivier in the Western Cape, he was educated at Worcester Boys' High School, where he matriculated in 1951. He started work in the mail room of a Nedbank branch a year later and worked his way up the ranks while moving around the country with Nedbank and taking a short stint with

"He's a very good backroom man," says one businessman who has worked with him. "He understands the issues, works through them carefully and delivers the goods." Another banker agrees: "Liebenberg's a journeyman executive. He's capable and will work hard at the job."

Affable and good-humoured, Mr Liebenberg is seen as unlikely to diverge much from the cautious fiscal policy framework set out by Mr Keys over the past two years. But he is both less charismatic and less cerebral than the

ebullient Mr Keys, and will find it harder to win people over to his point of view.

He also has a much lower international profile than his predecessor, which may be a handicap in dealings with the global banking community. "He's not as persuasive or influential as Keys and will probably have difficulties in the cut-and-thrust of politics," says another businessman.

As a businessman Mr Liebenberg was regarded as an opponent of the maintenance of South Africa's two-tier currency and exchange controls, but is seen as a strong ally of Mr Chris Stals, the Reserve Bank governor, who is known to be reluctant to alter the present system until economic fundamentals improve. As a result, most observers expect little alteration to existing policy in the immediate future.

One probable result of Mr Liebenberg's appointment will be a shift of influence within the government's economic policy team. Whereas Mr Keys was the dominant figure in the troika he made up along with the ANC's Mr Alec Erwin, his deputy, and Mr Jay Naidoo, minister without portfolio, the new arrangement will probably be more of a gathering of equals.

While Mr Keys has made Mr Liebenberg's job easier by giving his successor an economy in much better shape than the one he inherited, he has made it much harder by having set such a capable example.

"Keys was so good at the job, many people seemed to feel he could walk on water if he had to," said one grudging admirer. "Mr Liebenberg, however, will have to learn to swim."

Christo Liebenberg: worked his way up the ranks

France deeper in Rwanda morass

France's decision to create civilian safe havens in Rwanda has set the stage for another foreign military entanglement in Africa of unknown duration and unpredictable results.

The plan, backed by Mr Boutros Boutros Ghali, UN secretary-general, but not yet endorsed by an increasingly uneasy Security Council, lays France open to charges that its humanitarian intervention was a thinly veiled disguise to prop up the collapsing regime of a former military client.

After the capture this week of the capital Kigali and Butare, Rwanda's second-largest town, by rebel forces of the Rwandan Patriotic Front (RPF), most government soldiers and hundreds of thousands of civilians have taken refuge behind French lines in south-western Rwanda.

It is becoming increasingly difficult for France to maintain the pretence of neutrality. The French have drawn a 10km corridor *sanitaire* around Gikongoro, the next big town to the west of Butare, which the RPF will not be allowed to cross.

Commandos have taken up position on hilltops around the town, picking out sites for heavy mortars, machine guns and anti-tank missiles. Some 300 Foreign Legionnaires are already dug in to halt a further advance of guerrillas less than 20km away.

The French have not disarmed Rwandan government soldiers at Gikongoro; many can be seen at barricades set

Leslie Crawford reports that neutrality is becoming harder to maintain

up by French marines and paratroopers. France's "humanitarian" mission has blurred two issues: the genocide against the Tutsi minority, which French forces arrived too late to prevent, and a civil war which began in 1990.

From the start of Operation Turquoise a fortnight ago, French forces have tried to equate the suffering of the few thousand Tutsis who escaped mass slaughter with the plight of hundreds of thousands of Hutus who have fled the rebel advance. Central to their argument for setting up civilian protection zones is the belief that Hutus would also be slaughtered if the RPF were allowed to overrun government-held territory.

The International Committee of the Red Cross says few incidents of revenge killings have occurred in the two-thirds of the country controlled by the RPF. But in the Hutu refugee camps sprouting around Gikongoro, most people believe reports of blood-curdling rebel atrocities broadcast on government radio stations, but when questioned, no one has witnessed such events.

"The Tutsi have dug wells 60 metres deep to hide the Hutus they have killed," a young Hutu militiaman manning a road block near Gikongoro says. "That is how they have concealed the evidence of their crimes."

Such propaganda played a big role in inciting Hutus to slaughter their Tutsi neighbours in the weeks after President Juvenal Habyarimana's death in an air crash in April. Government radio accused the Tutsi-led RPF of shooting down the president's aircraft.

In a letter to the UN secretary-general, the RPF calls the French protection zones "a safe haven for the authors and perpetrators of the genocide. We have always believed and still maintain that the real motive behind the unilateral French intervention in Rwanda is to prop up the discredited regime [and] preserve a role for these murderers in the future politics of Rwanda," the letter says.

While the Security Council awaits the report of a special UN rapporteur on the genocide of Tutsis in Rwanda, human rights groups are urging France to arrest those individuals responsible for directing the atrocities.

Not only are the French unlikely to do so, they will be hard-pressed to find Hutu leaders acceptable to the RPF to negotiate an end to the conflict. Most moderate Hutu community leaders have been murdered by Hutu extremists.

But some of the most ardent supporters of a negotiated settlement are to be found among the Tutsi survivors, now herded in French-guarded refugee camps in government-held territory. "If the RPF really wants to save Tutsi lives," says a Tutsi priest, "they should bring this war to an end."

ECONOMIC POLICY RESTATED IN WAKE OF KEYS' DEPARTURE



Erwin: praise for Keys

The following is the edited text of an open letter from Mr Alec Erwin, director of finance, published yesterday today in the Johannesburg-based Business Day newspaper. It sets out the economic policy position of South Africa's government of national unity under President Nelson Mandela following the decision of Mr Derek Keys to step down as finance minister.

"Mr Derek Keys has the full support of the present government, he continues to work with him in the decision he has taken. He was prepared to enter the government of national unity to help it on its way. There can be very little doubt that he has done this magnificently. He will be in government for a few more vital months as we draft the white paper on the Reconstruction and

Development Programme (RDP), work on the 1995-96 budget, prepare the introduction of VAT and set in motion the wide-ranging work programme of the new government. We will benefit from his surgical insights, knowledge and deep understanding...

"Speaking from the ranks of the ANC there is no doubt a sense of disappointment that such a capable minister needs to withdraw. But it is important to remember that even in these historic times the individualities of leaders are deserving of respect..."

"What is remarkable in our circumstances is how quickly a common strategy on the key socio-economic area has emerged... This rapid progress has been possible because an al-

most and fiscally and administratively sound mechanism was developed to implement the RDP. This arose out of an important cross-fertilisation of ideas in which Mr Keys provided catalytic insights and understanding. A clear strategy is emerging... broadly supported by all parties in the national assembly.

"The essential features of this strategy are:

- An overall programme that addresses basic needs, human resources, viable economic growth and democratisation of society.
- The mobilisation of resources in all areas, not only in government.
- ...modifying expenditure priorities of government to facilitate implementation, rather than an

increase in the level of government expenditure.

• Ending inflation and balance of payments bottlenecks would destroy the RDP, hence fiscal and monetary discipline are integral to the RDP. They are not just expedients to encourage people to lend us money...

"Three things flow from this:

First, the RDP fund acts as an anchor to stabilise savings in government expenditure that are then applied to immediate needs... It focuses on organising delivery efficiently rather than throwing money at problems.

"Second, we are not going on a borrowing spree to fund... the RDP. Our borrowing strategy will focus on containment of the central, lowering costs of borrowing, establishing a favourable strategic

Human rights workers in peril, says Amnesty

Human rights workers are falling victim to the kind of torture and ill-treatment they are trying to prevent, the human rights group Amnesty International says today, in its annual report for 1993. Reuter reports from London.

Police beatings, arrests and executions without trial and mass killings have been reported despite a climate that increasingly highlights the importance of human rights, the report says.

"Human rights defenders often

became the first victims of governments trying to build a good human rights image abroad and fearful of the damage human rights activists can do to that image."

The report, covering 151 countries, found prisoners of conscience held in 63 countries. Some 100,000 political prisoners were held without charge in 32 nations. Some 112 governments tortured or ill-treated prisoners, and political killing by the state took place in 61 nations. Some 3,000 people were executed in 32 countries last year.

Meanwhile, the government's own industrial relations reform legislation, passed late

China bans child employment

By Tony Walker in Beijing

China yesterday published a labour law aimed at protecting workers' rights, including the outlawing of the employment of children under 16. The law, in effect next January 1, appeared aimed partly at answering international criticism of China's employment practices, attacked by human rights groups.

Chinese workers were promised an eight-hour working day and a minimum wage, but these are difficult to enforce, given widely differing work practices across the country.

The new law, which lays down pen-

alties for mistreatment of workers, follows criticism of exploitation by foreign employers. China's press has highlighted workers' complaints about harsh conditions imposed by foreign businesses.

The labour law, published in the People's Daily, reinforced regulations passed earlier this year specifying an eight-hour day and maximum 44-hour week.

Workers are now guaranteed one day off a week. Women are not required to work beyond their seventh month of pregnancy and are entitled to 90 days' maternity leave. They are also relieved from working

in hardship locations such as mines.

Employers must negotiate contracts with employees that lay down conditions of work, including pay and type of work to be done. Termination arrangements should be specified.

The law calls for the setting-up of disputes committees in work places, to include employers and workers.

Nancy Dunne adds from Washington: The Clinton administration was expected yesterday to greet the reforms with some enthusiasm. With France, it has linked labour rights to trade. The reforms will help win US support for China's World Trade Organisation candidacy.

NEWS IN BRIEF

India growth set to miss targets

India's industrial growth is likely to register an increase of 4.5 per cent in 1994-95, falling short of the government target of 6 to 7 per cent despite a sharp rise in exports, according to a report yesterday by a Bombay-based research centre, writes Shiraz Sidhu in New Delhi. This is still an improvement on last year's figure of 3.5 per cent.

The Centre for Monitoring Indian Economy (CMIE), an independent research organisation, said in its half-year economic outlook that real gross domestic product growth would improve marginally to 4.5 per cent against the government's estimate of 5 per cent. It estimated GDP growth in the year to March 1994 as 3.5 per cent compared with the official estimate of 3.8 per cent.

Farm output growth is expected to increase to 3 per cent, compared with last year's 1.8 per cent, because of a good monsoon season, inflation would be contained at less than 10 per cent from the recent 11 per cent high. Exports are expected to grow 15 per cent this year, down from last year's 18 per cent.

Major to urge debt relief

Mr John Major, the UK prime minister, will press for full implementation of the Trinidad Terms which provide relief of debt owed to western governments by the poorest developing nations when he meets fellow leaders at the Naples economic summit later this week, writes Peter Norman, Economics Editor.

UK officials said the prime minister wanted all Group of Seven countries to agree to write off at least 50 per cent of debtor countries' official debts and apply the terms to the whole stock of debt rather than selected maturities under the present workings of the Paris Club of industrialised creditor countries. Mr Major devised the Trinidad Terms in 1990 when chancellor of the Exchequer.

MPs outlaw Khmer Rouge

Cambodia's parliament yesterday overwhelmingly agreed to outlaw the Khmer Rouge guerrillas but the government kept open the door for future peace negotiations with the insurgents, Agencies report from Phnom Penh. Fears of a second coup attempt, meanwhile, swept the capital after a plot was put down at the weekend, and key government officials were instructed to stay away from their offices and homes.

Nigerian union leader held

Nigeria's military regime arrested Mr Frank Kokori, leader of the oil workers' union Nipeng, in Lagos yesterday on the third day of the union's strike called to demand the end of military rule and the release of Mr Moshood Abiola, whose victory in last June's presidential election was annulled, writes Paul Adams in Lagos. Mr Abiola appeared before a federal high court in Abuja yesterday and was charged with treason.

Trinidad and Chile 'top list for US links'

By Nancy Dunne
in Washington

Chile and Trinidad and Tobago are the countries best prepared to take on free trade and investment agreements with the US, according to a report released yesterday by the Washington-based Institute for International Economics.

Of the countries seeking trade pacts with the US, Chile and Trinidad and Tobago head a list which includes Barbados, Venezuela, Colombia and Bolivia. The US administration has stressed that Chile is at the head of the queue for free trade agreements, although Trinidad and Tobago and Barbados are also considered excellent candidates.

Policymakers have yet to decide whether the trade agreements should be entered on a bilateral basis or through accession to the North America Free Trade Agreement.

The report "strongly" recommends the Nafta route. With bilateral talks, the authors say, there is the risk that Nafta members would feel they were being played off against potential new US partners, it says.

The report, by Mr Gary Hufbauer and Mr Jeffrey Schott, is the DDE's contribution to the current debate in the Clinton administration. Economic integration in the hemisphere is now a goal to which the administration has gradually committed itself; the best means to achieve it are under discussion in the US and between US officials and their Latin American counterparts.

The authors say integration within the Americas will proceed more slowly than it has in Europe and without the transfer of funds - or cohesion - between the rich EU countries and their poorer brethren. As the US debate over Nafta showed, labour and environmental standards will be more contentious than in Europe.

"When income disparities and social conditions between trade partners are great, the trauma of economic integra-

tion is bound to be large," the report says. "The economic playing field looks distinctly slanted and, for different reasons, each country feels threatened by the economic standing of its partners."

To measure a country's readiness for free trade, the authors have devised a set of indicators based on price stability, budget discipline, external debt, currency stability, market-oriented policies, reliance on trade taxes, and functioning democracy.

Strong commitment to economic liberalisation policies is preparing many countries for the shock of free trade. Thus the potential of Argentina, which now stands at only 2.6 on the Hufbauer-Schott scale of 5.0, is considered greater than it seems because "its low scores on price stability and external debt will jump sharply if the reforms are maintained."

Brazil, which is pushing economic integration within South America, scores only 2.3. Chile and Trinidad and Tobago are put at 4.4. Just before it joined Nafta, Mexico was at 3.9.

In preparation for the Summit of the Americas, to be held in Miami in December, the US administration has been consulting its Latin partners and eyeing various roads to regional integration. All of such partners would gain by free trade and investment ties throughout the hemisphere, says the report. US exports could gain by about \$36bn (£23bn) in 2002; its imports would be about \$28bn.

"Our emphasis will be on 'building blocks' of various types in advance of free trade agreements," said Mr Ron Brown, US commerce secretary, recently in Buenos Aires. "These can include intellectual property agreements, bilateral investment treaties, understanding on disciplines that we recognise are broadly supported by the private sector... The Nafta's disciplines will serve as a model in many respects."

The authors say integration within the Americas will proceed more slowly than it has in Europe and without the transfer of funds - or cohesion - between the rich EU countries and their poorer brethren. As the US debate over Nafta showed, labour and environmental standards will be more contentious than in Europe.

"When income disparities and social conditions between trade partners are great, the trauma of economic integra-

Reynolds in CIS aluminium project

By Kenneth Gooding,
Mining Correspondent

Reynolds Metals, the second-largest US aluminium group, has signed a technology transfer and technical assistance agreement that is to help convert a substantial portion of an aluminium defence and aerospace plant in the former Soviet Union into a manufacturer of aluminium sheet for beverage cans.

Mr Randy Reynolds, vice-chairman of Reynolds, suggested the agreement was the first step towards the launch of aluminium beverage cans in Russia, which would mean the Commonwealth of Independent States consuming more of the aluminium it produces.

"By sharing our technology, we expect Sameco [Samara Metallurgical Company] to become the first to produce cans in the CIS," Mr Reynolds said.

The former Soviet aluminium industry was set up primarily to supply material for defence and aerospace applications. The collapse of the Soviet Union left industry with huge surplus capacity. It has turned to exporting on a much larger scale.

Exports to the west surged from 250,000 tonnes in 1989 to more than 2m tonnes last year, which forced down world prices to their lowest level in real terms.

The Samara-based company, to which Reynolds will provide assistance, has shut down most of its plant, which once produced hard-alloy aluminium sheet, plate, forgings and extrusions mainly for the defence and aerospace industries. Sameco hopes to begin producing can stock by the end of 1995.

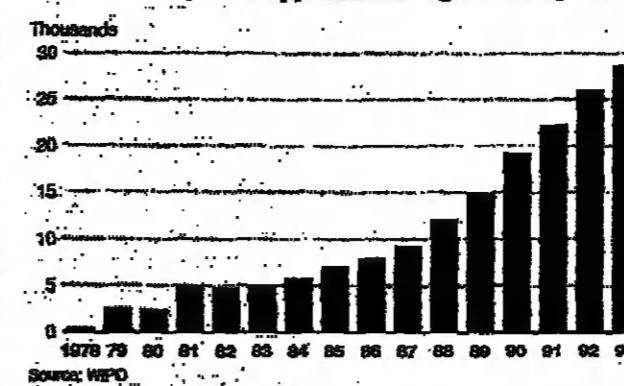
This could involve the assembly of about 10,000 cans a year and has been put to Warsaw as a substitute for a \$60m (£32m) project to produce car interior trim in Poland. Ford has abandoned that.

The negotiations, understood to have been going on for some months, are still some way

Gatt joins battle for right to protect

Frances Williams on differences with Wipo over intellectual property jurisdiction

International patent applications registered by WIPO



Source: WIPO

advice to developing countries on such matters as running patent offices or drafting intellectual property legislation.

Wipo's technical co-operation and registration activities are, if anything, likely to receive a fillip from the Trips accord by encouraging developing countries to upgrade intellectual property protection.

In a separate move, Wipo has established a mediation and arbitration centre to handle disputes between private parties which is due to begin operations this October.

Nor is it a foregone conclusion that Wipo's negotiating role has ended. Washington railroaded intellectual property rights on to the Uruguay Round agenda because developing countries were blocking negotiations in Wipo. They eventually accepted a Trips agreement in return for benefits in other areas of the round, including textiles and farm trade.

But, with no further all-embracing trade round in prospect, trade-offs between sectors may be less important than in the past. Developing countries have mostly come round to the benefits of intellectual property protection and within the WTO, the initial emphasis is expected to be on implementing the new agreement, which is virgin trade territory.

Though the Trips accord provides for a review after five years, trade officials do not envisage big changes early on. This leaves the way clear for Wipo, which already has several negotiating projects on the

stocks. These include two new treaties to supplement the Paris Convention, a Patent Law Treaty and a Trademark Law Treaty which aim to harmonise national norms. Wipo is also considering a protocol to deal with new media and information technologies.

Wipo officials admit that these are proving difficult negotiations. Talks on the Patent Law Treaty, which have been going on for 10 years, are stalled because Washington refuses to drop its first-to-invent filing system (the rest of the world uses a first-to-file system). But "no one is saying the issue should go to Gatt," notes Mr Francois Curchod, Wipo's deputy director general.

The future of a draft treaty on dispute settlement (though without any sanctions provisions) will be discussed by Wipo's 147-member general assembly in September in the light of the Uruguay Round deal. Wipo officials point out that, outside those specific provisions of the Paris and Berne Conventions embraced by the Trips accord, Wipo agreements are not enforceable by the WTO.

Still undecided is what role Wipo should have in the WTO's disputes procedure. Gatt members have so far shown a strong disinclination to boost substantially the number of staff working on Trips from the present one and a half. Paradoxically, to make the new procedure work, the WTO may need all the outside help it can get.

Ford in Poland car talks

Ford and the Polish government have begun negotiations on a project to assemble the Ford Escort car from kits for the Polish and bordering markets. John Griffiths reports.

Ford announced in the middle of last year its intention to set up a Polish greenfield operation to make seat covers for export to its own car plants and other European vehicle producers.

Ford then said the plant, at Pionek, some 60 miles north-west of Warsaw, would come on stream late this year and would employ up to 1,000 people.

Since then, however, Ford

embarked on a major restructuring under its new chairman, Mr Alex Trotman. The Pionek venture became a casualty of that.

Ford no longer regards the manufacture of car interior trim as a core business and is placing it with outside suppliers.

Even so, Pionek is believed not to have been ruled out as a possible location for the car assembly project.

That would be the third manufacturing venture undertaken by Ford in central Europe since mid-1992.

Yen's rise lifts imports of vehicles to Japan

The yen's ability to defy gravity has been a boon to vehicle imports to Japan, which rose by 40.3 per cent to a record 127,965 units in the first half of this year, writes William Dawkins in Tokyo.

Sales of imported vehicles climbed by 42.9 per cent last month from a year earlier, as Japanese consumers took advantage of the falling yen price of foreign cars.

June represented the eighth monthly rise in a row, according to the Japan Automobile Importers' Association.

Foreign car makers have not been the only winners. The overseas plants of Japanese producers have also benefited. Imports of foreign-made Japanese vehicles nearly doubled last month to just under 9,000 (30 per cent of all imports).

Within the total, imports of passenger cars rose by 32.9 per cent in June, with Ford up 175 per cent, Chrysler up 104 per cent, and Nissan's UK plant showing a 95 per cent increase in sales to Japan.

To stay in the race, even the Japanese are turning to THOMSON Technology.

THOMSON TCE

THOMSON / TELEFUNKEN / RCA / GE / BRANDT / NORDMENDE / FERGUSON / SABA

The Japanese are sold on our technology.

The American Highs Group has chosen Thomson Guidance Thermometers as the sole supplier of digital TV satellite receivers for the first phase of their development programme. What's more, manufacturers the world over are now licensing Thomson Technology. From the Japanese

BBC urged to expand role

By Raymond Snoddy

The British government yesterday urged the BBC to expand its commercial role in the UK and around the world and to transform itself into an international multi-media organisation.

The encouragement for the BBC to become more of an international broadcaster with the help of private partnerships and private capital came in a white paper that also endorsed its existing role as the UK's main public service broadcaster.

The government policy document argues that the BBC: • can continue all its existing broadcasting services including two national television channels and five national radio services including Radio One;

- should have a new 10-year Royal Charter running from January 1 1997; and
- should be funded by a universal licence fee at least until the year 2001 followed by a review in the light of technical developments then. A review will decide whether the post-1996 licence fee will be linked to the retail price index - as it is now - or set at RPI minus a percentage figure.

The BBC welcomed the broad thrust of the white paper and described it as a vote of confidence.

Mr Peter Brooke, national

MPs seek end to tobacco sponsorship of sport on TV

The cross-party Commons National Heritage Committee yesterday called for the phasing out of all broadcasting of events sponsored by tobacco companies on terrestrial television.

Raymond Snoddy

suggested that no further UK sporting events sponsored by tobacco companies be broadcast by any terrestrial channel once contracts run out.

It called on the government to hold discussions at European and international levels on satellite television coverage to "seek to end indirect advertising of tobacco products through programmes or event sponsorship on satellite TV."

The committee also sought to give greater protection to the televising of events such as the FA Cup Final, the Grand National horse race and the Olympics.

The Committee recom-

mended that no further UK sporting events sponsored by tobacco companies be broadcast by any terrestrial channel once contracts run out.

It called on the government to hold discussions at European and international levels on satellite television coverage to "seek to end indirect advertising of tobacco products through programmes or event sponsorship on satellite TV."

The committee also sought to give greater protection to the televising of events such as the FA Cup Final, the Grand National horse race and the Olympics.

he secretary, said yesterday: "What this [white paper] is about from our point of view is evolution not revolution: a two-pronged approach that maintains the BBC's public services with a sharp focus and developing its commercial broadcasting services in the UK although Mr Brooke declined to be specific.

The government, which is insisting on a complete separation of the BBC's public service and commercial activities, also

emphasised that the BBC governors would ensure that the aims of BBC Worldwide, the new international division remained consistent with the corporation's objectives.

Mr Leslie Hill, chairman of the ITV Association, welcomed the retention of the licence fee but said the BBC should not use programmes funded by licence fees in risk ventures in the UK. He said the BBC should sell its programmes to - and join in the acquisition of rights and programmes with other UK broadcasters in "a fair and open manner".

The main uncertainty now facing the BBC is over its transmitter system. The government and the BBC are to explore options, including full or partial privatisation designed to inject private finance into the corporation's transmission services.

The move is being seen as a way of helping to finance an early entry by the BBC into digital terrestrial television, technology that could enable a large number of new television channels. The BBC is looking at the possibility of launching the first digital channels as early as 1997 if they can be funded.

Although the government endorsed the basic structure and purpose of the BBC, Mr Brooke said it would be "wrong to think that we are engaged in business as usual".

Push to give London new business airport

By Paul Bettis, Aerospace Correspondent

The British government is stepping up its efforts to allow business aircraft to use the Royal Air Force airfield of Northolt, west London, to relieve increasing pressures on business aviation at Heathrow.

The Ministry of Transport and the Ministry of Defence yesterday issued a consultation paper seeking the views of industry and business aircraft users on the potential for developing a civil enclave dedicated to small business aircraft within the RAF airfield on the edge of the capital.

The move was signalled in May's competitiveness policy paper published by the government in view of increasing pressure on facilities for general and business aviation in south-east England as a whole.

Lord MacKay of Ardbrecknish, the government aviation minister, said yesterday: "Business aviation is not just a rich man's playground."

"Many aviation companies are dependent on small aircraft and it is important for UK PLC to get in and out of London with ease," he said.

One attraction of Northolt is the airfield's proximity to Heathrow - many corporate jet users want to connect with long distance scheduled services from Heathrow, the world's biggest international airport.

Shell, the integrated oil group which operates its own corporate jet fleet, has welcomed the government's initiative.

Northolt handles flights by the Royal family, VIP and military traffic. It already handles around 4000 movements by civil aircraft each year within a limit of 7000 civil movements (either a take-off or landing).

The government wants to see this spare capacity of around 3000 civil movement used at a time when business aviation is increasingly squeezed at nearby Heathrow.

Following the consultation process, which is expected to be completed by the second half of next month, the MOD will prepare tender documents inviting bids for development and operation of the proposed civil enclave at the RAF airfield.

The consultation document said the successful bid would be the one offering the best package to accommodate MOD restrictions and provide a service operating efficiently alongside the airfield's military operations.

Security will be a significant issue in view of the use of the airport by Royal and VIP flights. There are proposals to transfer the Queen's flight from RAF Benson in Oxfordshire to Northolt.

Lord MacKay said flight operations would remain the responsibility of the MOD, while ground operations, including aircraft and passenger handling, would be the responsibility of the operator of the proposed new business aircraft centre.

The ministry would continue to levy landing and navigation fees as well as earn additional revenue from the new centre.

Although the government is proposing no changes in the current limit on civil aircraft movements at the airport, its plan to develop business aviation at Northolt is expected to spark fierce local opposition on environmental grounds.

The London Borough of Hillingdon, where the airfield is based, has already proposed that most of the airfield site should be designated as a Green Belt area. The MOD formally objected to this at a public inquiry earlier this year. The inspector is expected to publish his findings later this year or early next year.

Everyone knows that big growth is in store for Asian economies. But which Asian economies?

Just knowing what "everyone knows" is no basis for managing investments. Not every Asian nation is going to become a "Tiger." Nor are the Tigers all going to roar equally.

Asia is happening now

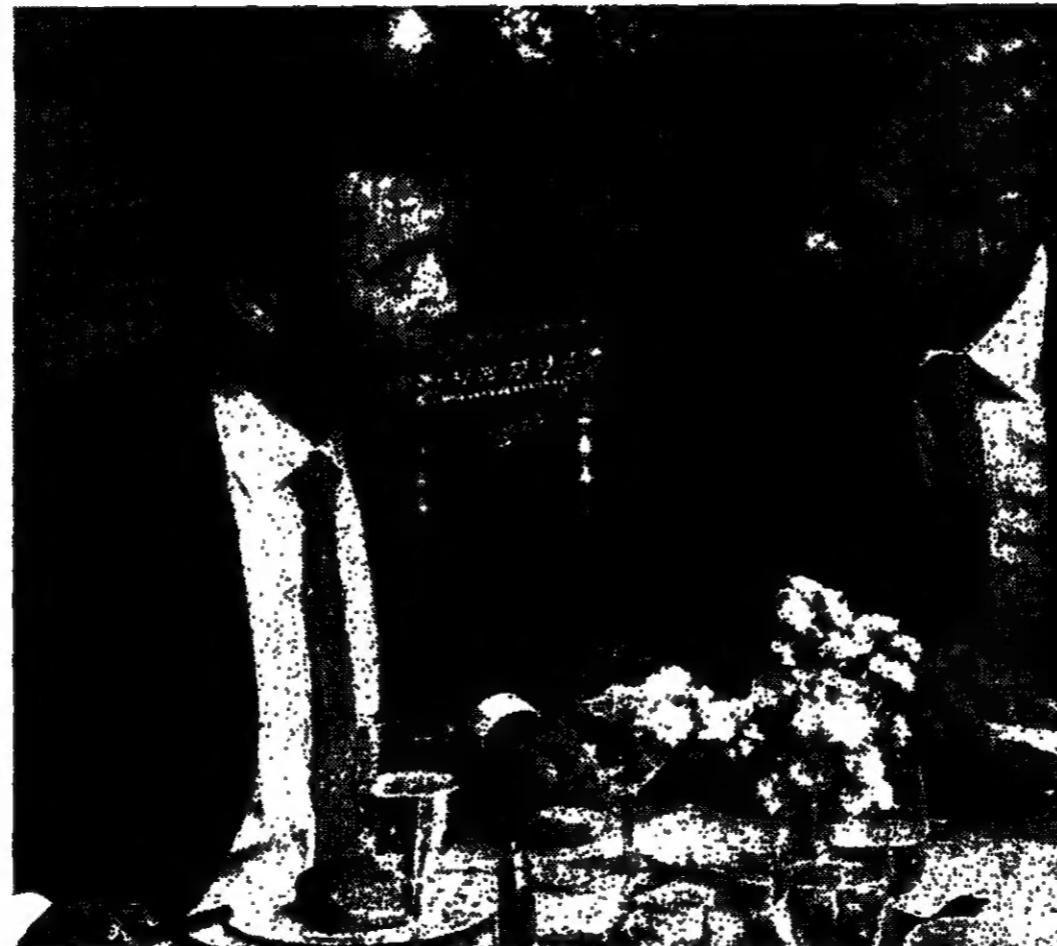
It's happening at companies you know about and at a lot more companies that you have never heard of. It's happening in trade and investment trends you need to know about to invest wisely in the region.

Of course you want to invest in the region. You know you can't afford to miss out on the "Pacific Century." You want to participate in markets that will outshine the rest of the world for decades to come. But where do you begin?

You start with insight. You start by finding a partner who can steer you to opportunities that are right for you.

Nikko knows Asia

A giant in Japan, Nikko is a major force in Asian finance and has been for decades. It can introduce you to the most promising companies and sectors in Asia's emerging markets. It can give you a whole new perspective on those markets. To learn how to make Asia happen for you, call Nikko today.



Who should you talk to?

NIKKO

Investment Banker to the World

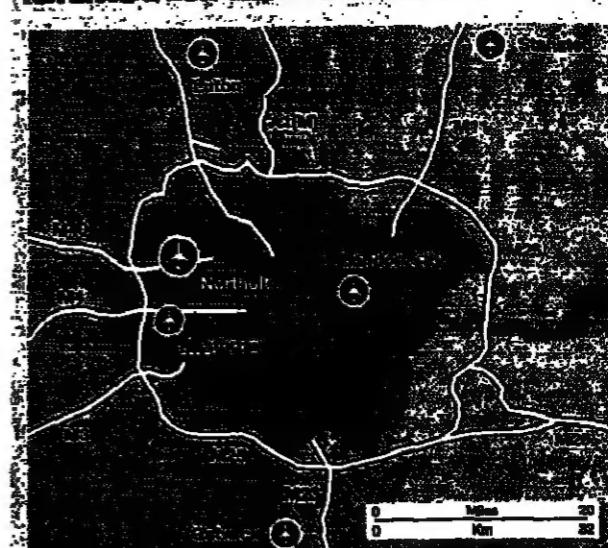
London: 44-71-799-2222 Hong Kong: 852-5-249011 New York: 1-212-416-5400

London (Nikko Bank): 44-71-528-7070 Singapore: 65-2233390

Amsterdam: 31-20-6623296 Bahrain: 973-271750 Berlin: 49-30-882-6776 Frankfurt: 49-69-2385180 Geneva: 41-22-786-3100 Luxembourg: 352-462384 Madrid: 34-1319-9977 Milan: 39-2-7601-2252 Paris: 33-1-44583900 Zurich: 41-1-259-9111 Bangkok Beijing Chicago Jakarta Kuala Lumpur Qingdao Seoul Shanghai Sydney Taipei Toronto Tokyo: 81-3-3283-2382

This advertisement has been sponsored by Nikko Europe Plc, a member of the Securities and Finance Authority.

Shouldn't a new airport for business?



Water bills may rise to meet clean-up costs

By Deborah Hargreaves

British householders could face higher water bills next year as a way of meeting additional environmental obligations handed to the water companies yesterday by Mr John Gummer, environment secretary.

"Consumers have been asked to pay a very large part of the burden of investment and general upkeep of the system since privatisation," said an official at the National Consumers Council. "But there is no reason why the cost of this environmental spending should be passed on."

The consumers' council says the burden placed on householders is "unfair" and that companies should turn to other sources of finance such as the equity market for investment capital. The council is due to publish its own report criticising water price increases on Monday.

Companies hit hardest by the additional environmental spending will be North West Water which will be required to pay £130m for cleaning up the Mersey basin in north west England and Severn Trent Water which will face an increase of £194m.

Mr Gummer's decision to add another £500m environmental spending to companies'

Dublin 'seeking close links'

By Tim Coone

Mr Dick Spring, the Irish foreign minister, said yesterday that Ireland is seeking "the closest possible links between a Northern Ireland administration and the Irish government", but that this would not amount to joint administration with the British government.

Speaking in Dublin to businessmen from both sides of the border, his comments were made in response to recent criticisms from Unionists in Northern Ireland that the current bilateral talks between the two governments are aimed at establishing a joint authority. Mr Spring said that joint authority "is not on the Irish government's agenda".

Deeper economic cooperation is however, and he said that it would be "realistic" to increase current cross-border trade of £1.5bn (£1.2bn a year to Ireland).

Despite deep political divisions "there are very few who will contest the view that Ireland makes sense as a single economic area", he said. The Irish government wants "strong, meaningful and dynamic" cross-border structures to promote this goal and the two governments are looking at the prospects for cooperation in transport, health, "and other areas".

The continuing violence imposes a "huge burden" on both the UK and Irish economies however, and impedes progress in economic co-operation, he said.

It is imperative "that those who engage in violence on both sides should cease to inflict this intolerable burden on their fellow citizens".

Eurotunnel challenge on duty-free

By Charles Batchelor, Transport Correspondent

Eurotunnel, which runs trains through the Channel tunnel, is to challenge a European Union decision allowing ferry companies and airlines to continue maximising duty-free sales until 1998.

The company intends to seek leave within the next few days to apply for a judicial review in the autumn of the European decision. It calculates that duty-free sales are worth £125m a year to its rivals and believes the abolition of the duty-free concession would boost its own turnover by about £170m up to 1999.

"This is a subsidy to the ferries and the airlines and we see it as discrimination against us," a Eurotunnel spokeswoman said.

Eurotunnel is not allowed to sell duty-free goods on its trains through the Channel tunnel but it will have duty-free shops at its terminals in Folkestone and Calais. These will however require travellers to make a detour.

The company originally planned its services on the assumption that duty-free sales would be abolished when the single European market was created in January 1993. But the UK government won a six-year reprieve.

It would be very difficult for Eurotunnel to provide a duty-free sales service on its car passenger shuttles because of a lack of room and the short time which they take to travel between terminals. Stena Sealink, one of the main cross-Channel ferry companies said: "Duty-free purchases are now an integral part of the whole holiday experience."

VAT scheme 'won't succeed' Tax chiefs move to stop EU car scam

By Andrew Jack
and Robert Rice

The UK government clamped down firmly yesterday on a tortuous tax avoidance device which could cost hundreds of millions of pounds a year in value added tax refunds on company cars.

HM Customs & Excise took the unusual step of circulating a warning to businesses and advisers that it would work with foreign tax authorities to prevent the repayment of VAT on cars leased from other EU member states.

In a business briefing note, it said that a "so-called tax planning scheme... being promoted by some well known firms of tax advisers... does not succeed".

The statement is an aggressive attempt to nip in the bud an attempt to exploit different tax laws across Europe, which it argues distort competition.

In the UK, only a few industries such as cab companies and motor traders can claim back VAT on the purchase of cars. The rest pay VAT estimated at £1.6bn in 1994. In other countries such as Germany the VAT is refundable.

Price Waterhouse and several other large accountancy firms have spoken at conferences and held discussions with clients recommending they take long-term leases on cars with companies in countries where VAT on car sales can be reclaimed.

To gain refunds, the cars must be leased by a non-UK company to a UK client, imported into the country and ultimately re-exported when the lease expires.

"We are concerned that one or two firms are trying to drum up business," Customs said yesterday. "The imagination of accountants is exceedingly fertile. Our legal advice is that this won't work. This is a friendly note to companies to reconsider their advice to save time, energy and money."

Mr Nigel Cockburn, a tax partner with Price Waterhouse, said: "I don't see this as tax avoidance. All it is doing is taking advantage of the laws

Blair emphasises pro-European credentials

By Philip Stephens,
Political Editor



Blair: rejected "false choice"

Mr Tony Blair, the front-runner for the leadership of Britain's main opposition Labour party, yesterday cast himself in the role of the discriminate pro-European by calling for a different but positive vision of the European Union's future.

In his first detailed statement on an issue likely to dominate politics in the run up to the next general election, Mr Blair said that the economic and political case for enhanced European cooperation had become stronger not weaker.

His comments came as Labour's shadow cabinet decided not to oppose or seek to amend legislation due next week to provide for the entry into the Union of Sweden, Austria, Finland and Norway. Party officials said there was no question of the party joining with Tory Eurosceptics in any attempt to wreck the bill.

In a speech to the Foreign Press Association Mr Blair firmly rejected the "false choice" between a sort of bureaucratic federalism and a retreat into isolation.

Accusing the government of a "minority mentality" which had left Britain participating in Europe without influence, he said the country needed a new self-confidence about its role.

The alternative to isolationism was not a headlong rush into a pan-European state but "a movement towards greater European co-operation, measured by what is practically sensible and publicly acceptable but where public opinion is led as well as followed".

Mr Blair acknowledged the pre-occupations of the Maastricht treaty had been overtaken by events - above all by the collapse of Communism in Eastern Europe and the resultant prospect of a Union of 20 or more states rather than 12 or 16.

Britain should treat the intergovernmental conference in 1995 as an opportunity to move beyond Maastricht and

shape and re-state the basic economic, social and strategic purposes of Europe."

But political and economic forces continued to point in the direction of a closer not looser association: "The change in Europe as a result of the liberation of Eastern Europe may alter the shape of European cooperation but it does not alter the reason for it".

Turning to the party's position on a single European currency, Mr Blair said that Britain must keep its options open to avoid the risk of exclusion from economic and monetary union.

The timetable should be driven by economics and not by an artificial political timetable. While exclusion would damage Britain's long-term economic strength, the price of joining without genuine economic convergence might be too high.

Britain should seek also to widen the focus of the economic policy debate in the Union to other key issues like employment, infrastructure, technology and education and training.

The challenges to Europe's economic future had to be faced collectively as well as individually, he said.

Britain in brief



FA reduces Tottenham penalty

Tottenham Hotspur football club was yesterday fined a record £1.5m by the Football Association for irregular payments to players.

But the famous North London club had their original 12-point deduction from next season's record reduced to six by the FA appeal board near St Albans.

Deprived of 12 points the club, which has won all the major domestic honours in English football, would have faced relegation next season to the First Division.

The share price of Tottenham Hotspur football club rose 5p to 94p.

The hearing, which lasted almost four hours, also ruled that the club's ban from the FA Cup for season 1994/5 will stand.

Tottenham were originally fined with a £500,000 fine, a 12 point deduction, plus the ban from the Cup when the sentence was handed out three weeks ago.

The June surge brought total registrations for the year's first half to 956,563 - a 13.7 per cent rise on the 829,035 in the first half of last year.

The SMMT is continuing to be cautious in its forecasts, suggesting the total market "might" top 1.9m this year. It is also predicting about 445,000 registrations in August, by far the biggest sales month because of the introduction of the yearly registration prefix.

However, this represents an increase of only about 1 per cent on last year's August sales of 440,205, whereas the market has increased by double figures in percentage terms every month of this year except April, when tax increases were introduced.

The SMMT said would-be buyers could benefit from "some of the best showroom deals ever seen as manufacturers offer an unprecedented number and variety of promotional schemes" linked to the introduction of this year's M prefix.

But after the decision of the Appeals Board was announced, an FA spokesman said: "The Board accept there has been a considerable degree of co-operation and voluntary disclosure in relation to these matters, and take that into account."

Mr Alan Sugar, the club's chairman, gave an assurance that the offences would not be repeated.

Crown estates set for upturn

Income from the Crown Estate, which owns large tracts of London's west end, including all of Regent Street, will rise sharply over the next decade as many of its long running fixed-rent leases expire.

The Estate, which yesterday announced a 5 per cent rise in net rents, said prospects for income growth in Regent Street, one of the world's premier shopping streets, were excellent.

Mr Christopher Howes, the Estates chief executive, said: "Ground leases on about a quarter of the 125 properties owned in Regent Street fall due between now and 2005."

The organisation's roll dates back to 1760, when King George III handed over profits from the crown's estates to parliament in exchange for the provision of the so-called Civil List. Under these arrangements the Queen will receive £7.9m this year.

Welsh miners petition EU

Welsh private coalmine owners are threatening to complain to the EU Commission in Brussels over the proposed terms for the sale of British Coal.

They are worried that the government intends to sell British Coal cheaply, and that this will amount to an effective subsidy for new competitors in the coal mining business. Mr Rhys Jeffrey, chairman of the South Wales Small Mines Association, representing 60 owners said his members, who operate 60 pits, calculated that it cost £10 a tonne to gain access to coal. But one-off pit leasing deals by British Coal, such as Betws in south Wales, implied a cost of only 25 a tonne.

Rail offer 'clarified'

Railtrack is to clarify its productivity pay package for signalling staff, and may revise it, the company said yesterday.

It said the move was in response to suggestions from staff who have responded to the company's "hearts and minds" campaign launched last weekend.

Yesterday the signalling staff struck solidly for the fourth consecutive Wednesday.

Further one day strikes are scheduled for the next two Wednesdays with the threat of two days a week strikes after 24 July.

Recs breach of data code

Some regional electricity companies are breaking the law by using customer databases to promote services other than electricity, the Data Protection Registrar said in

a statement with implications for all privatised utilities.

Mr Eric Howe, the registrar, said in his annual report that he believed "a number" of current and planned uses of customer data information by the twelve regional electricity companies in England and Wales to be in contravention of data protection law.

He claimed that under the Electricity and Data Protection Acts it was illegal for the companies either to use their customer mailings

as "host" for non-electricity promotions or to pass names and addresses on to commercial third parties.

"There may be implications for the activities or proposed activities of other utilities," he added.

Mr Howe intends to write to the electricity companies and to consult the utility regulators on the issue. But he "anticipated" that his successor as registrar, who takes office in September, would issue formal guidance within the next year.

**Банк ING
ОТКРЫВАЕТСЯ
В МОСКВЕ**

ING Bank opens in Moscow

ING BANK
MOSCOW

ING Bank is pleased to announce that its Moscow office is fully operational.

This is part of the strategic development of our network in Central and Eastern Europe, which now includes offices in eight countries – and demonstrates our leading position in Emerging Markets Banking.

For information on the services our Moscow office can provide, please contact Maarten Pronk on tel.: 7502.2245035; fax: 7502.2245037.

ING BANK

Internationale
Nederlanden
Bank

MANAGEMENT: MARKETING AND ADVERTISING

American-style fast food is catching on in a region hungry for western tastes, finds Kieran Cooke

Feast your eyes on an Asian opportunity

Kenny Rogers, the US country and western crooner, rode into Kuala Lumpur recently. He wasn't playing his guitar or singing a tear-jerking song. He was cooking chickens.

Kenny Rogers Roasters boasts of being the fastest-growing fast-food chain in the US, with more than 1,000 restaurants opened or about to start operations across the country. In May the first Roasters store in Asia opened in the Malaysian capital.

The crowds who wait in line in Kuala Lumpur for one of Rogers' chickens, marinated in a special herb sauce and cooked on a wood-fired rotisserie ("It's wood that makes it good") testify to one of the marketing phenomena of Asia: American-style fast food is catching on as fast as it can be cooked.

The Florida-based Roasters chain was founded three years ago by Rogers and John Y. Brown Junior, a former Kentucky governor. Earlier this year Berjaya, a Malaysia-based conglomerate, bought a 24 per cent stake in Roasters for \$40m (£26.5m). Berjaya paid \$100m for a 50 per cent stake in the chain's Asia Pacific operations.

"We've only been open a few weeks and already we are selling far more chickens per day - about 1,400 each Saturday and Sunday - than stores in the US," says Syed Ghazali, general manager of Roasters in Kuala Lumpur.

"We plan to open eight more stores in Malaysia this year with further openings in Singapore and the Philippines. South Korea and Indonesia will follow after."

It's the same story all over Asia. At one time the sceptics said that Asians would never give up their diet for the blander tastes of American fast food. But the traditional corner coffee shop selling chicken, rice and noodles is disappearing and being replaced by McDonald's, Pizza Hut or Kentucky Fried Chicken.

The taste of the food is only one element in the success story. "Our marketing people tell us



Roseters: Kenny Rogers and Vincent Tan, head of Malaysia-based Berjaya

that people here love the American way. People come to the stores not only for the food but to enjoy American style and American service," says Syed.

The region's economic success has brought about the rise of an increasingly affluent middle class. A plate of chicken and rice might only cost M\$3.50 (95 cents) in Kuala Lumpur. But more and more city dwellers have the money to pay twice or three times as much for a Roasters meal.

Karl Faux runs the south-east Asia operations of Tony Roma's, a Texas-based chain specialising in ribs. The chain's 146-seat restaurant in Singapore serves up to 500 meals per day.

"Anything that's American sells well. Business is better than we ever dreamt it would be," he says.

Faux, an Austrian hotelier who manages Tony Roma's regional operations on behalf of Indonesian franchise holders, says a vital ingredient in the attractiveness of US-style fast food is that it caters for the family. "Asians like eating as a family. It's a very important part of the business."

Fast-food chains make some adjustments to local conditions. Kenny Rogers Roasters cost about half as much in Malaysia as in the US. Some chains use local sauces and ingredients. Others insist that all supplies come from the US. Tony Roma's has

expanded into Indonesia. It now ships a container of US pork ribs each month into the world's largest Muslim country.

McDonald's opened one of its first outlets in Asia in Singapore in 1978. Now, eight of its 10 best-selling restaurants in the world are in Asia: seven of them are in Hong Kong while the recently opened outlet in Beijing is the company's top performer.

In Malaysia, where the fast food industry is growing at an estimated 10 to 15 per cent each year, Kentucky Fried Chicken outsells McDonald's. Chicken is the one mass consumption meat that all Malaysians - whether Malay, Chinese or Indian - can happily feast on. By the end of this year Colonel Sanders will be smiling over 150 branches throughout Malaysia.

Not everyone is happy about the US invasion of Asia's high streets. There are suspicions that along with the food, US values are being imported. Asia's leaders worry about a directionless, undisciplined younger generation lounging at eating joints.

Perhaps the tourists will be the most disappointed. If Asia continues on its present course the visitor will soon be able to walk down the road in Hong Kong, Bangkok, Kuala Lumpur and Jakarta - only to find the same restaurants as at home.

P rivatiser or die: that is the ultimatum which a big chunk of the UK government-funded Design Council faces over the next week. Wednesday is the deadline for bids from outside organisations wanting to take over the council's range of industrial services. Before the end of the month these services are likely to have new owners, or be set to disappear.

The privatisation is part of a wholesale shake-up of the Design Council which began last September. Tim Salterbury, trade and industry minister, made it clear that the existing body, which had provided design advice to British industry for nearly 50 years, was to be largely dismantled. In its place was to be reborn a much smaller, more highly-focused advisory body, which would not, itself, get involved in the direct delivery of services to industry and the design profession.

Its staff of about 200 was to be reduced by three-quarters, its annual £7.5m grant substantially cut, and its Haymarket, central London, offices vacated. Many of its industrial functions were to be transferred to the new national network of one-stop business service centres, called Business Links, which was being set up by the government.

The announcement caused less of an outcry than might have been expected, for over the years the council had lost much of its public profile. There was widespread criticism that the council had moved away from educating consumers and promoting to industry the styling aspects, for example, of design, while becoming increasingly preoccupied with engineering issues.

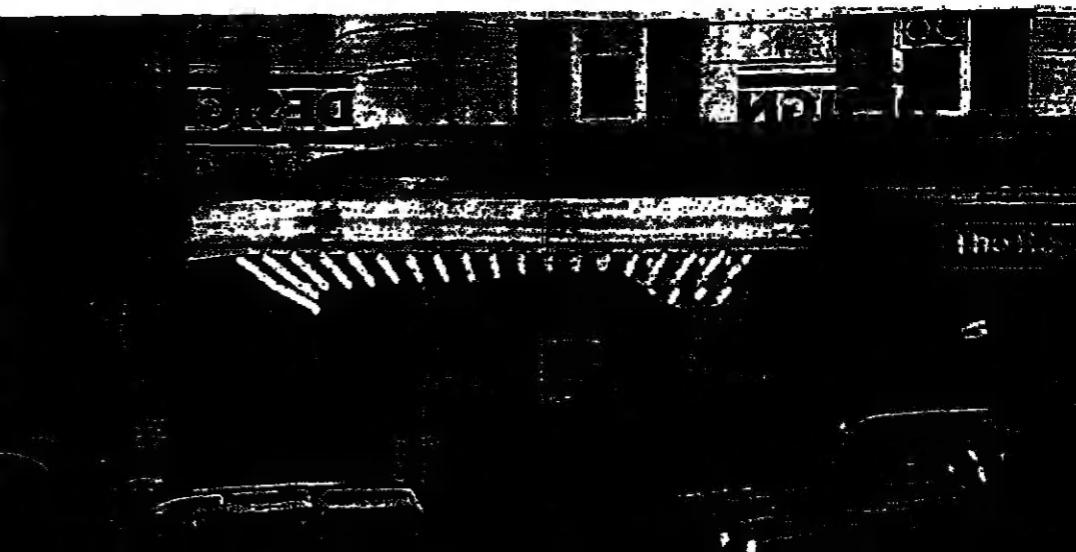
John Sorrell, the newly-appointed chairman of the Design Council, himself a designer and a former chairman of the Design Business Association, began an intensive four-month review of the objectives and structure of the organisation.

At the same time, the serving director general, Ivan Ryle, stepped down and a career civil servant, Evelyn Ryle, moved in on a short-term assignment to shed or redeploy staff, and to dispose of the council's industrial services.

These services include:

- Materials information service, which provides engineers with free information on the properties, sourcing and application of materials. The service is provided under contract to the Department of Trade and Industry.

- Innovation noticeboard, which helps to put inventors in touch with companies which could produce and market their ideas. Companies request to be included on the innovation database and projects are screened by panels of new product



The council's Haymarket headquarters: an announcement in May that it would close caused less of an outcry than expected

Design Council's day of judgment

If bidders are not found by next week, reports Diane Summers, some services will disappear

development specialists.

- Design advisory service, a subscription service which offers a hub of design advisers to companies wanting to prepare products for design consultancy work, as well as recommending suitable design practices from a consultancy register.

- Consultancy register, which vets designers and includes them, for a register. Disciplines on the register include graphics, interior, engineering, textiles and human factors design.

- Enterprise Initiative design consultancy scheme, which is operated under contract to the DTI and enables companies to use a specialist design consultancy for projects for up to 15 days, with at least a third of the cost paid by the DTI.

- Industrial training and marketing, which organises new product development seminars under contract to the DTI. This unit also markets the council's range of industrial services. A central research unit also supports these services.

The original intention was to keep all of the components of the industrial services together and to invite "integrated" bids from interested parties. Says Ryle: "The services together are bigger than the sum of the parts. No one person can be an expert in all the areas of design. The services we have feed off one another. We and the DTI started on by saying that, because of the synergy of the components, an integrated bid was a better solution if we could achieve it."

By the time the May 31 deadline for bids was reached, though, it was clear that the integrated option would not work. In spite of four full bids, Ryle was forced to write in a memo to staff two weeks ago: "I am sorry to have to tell you that, in the end, the financial contributions which the various parties were seeking from the government fell well outside what DTI would have considered acceptable, and therefore all the integrated bids failed."

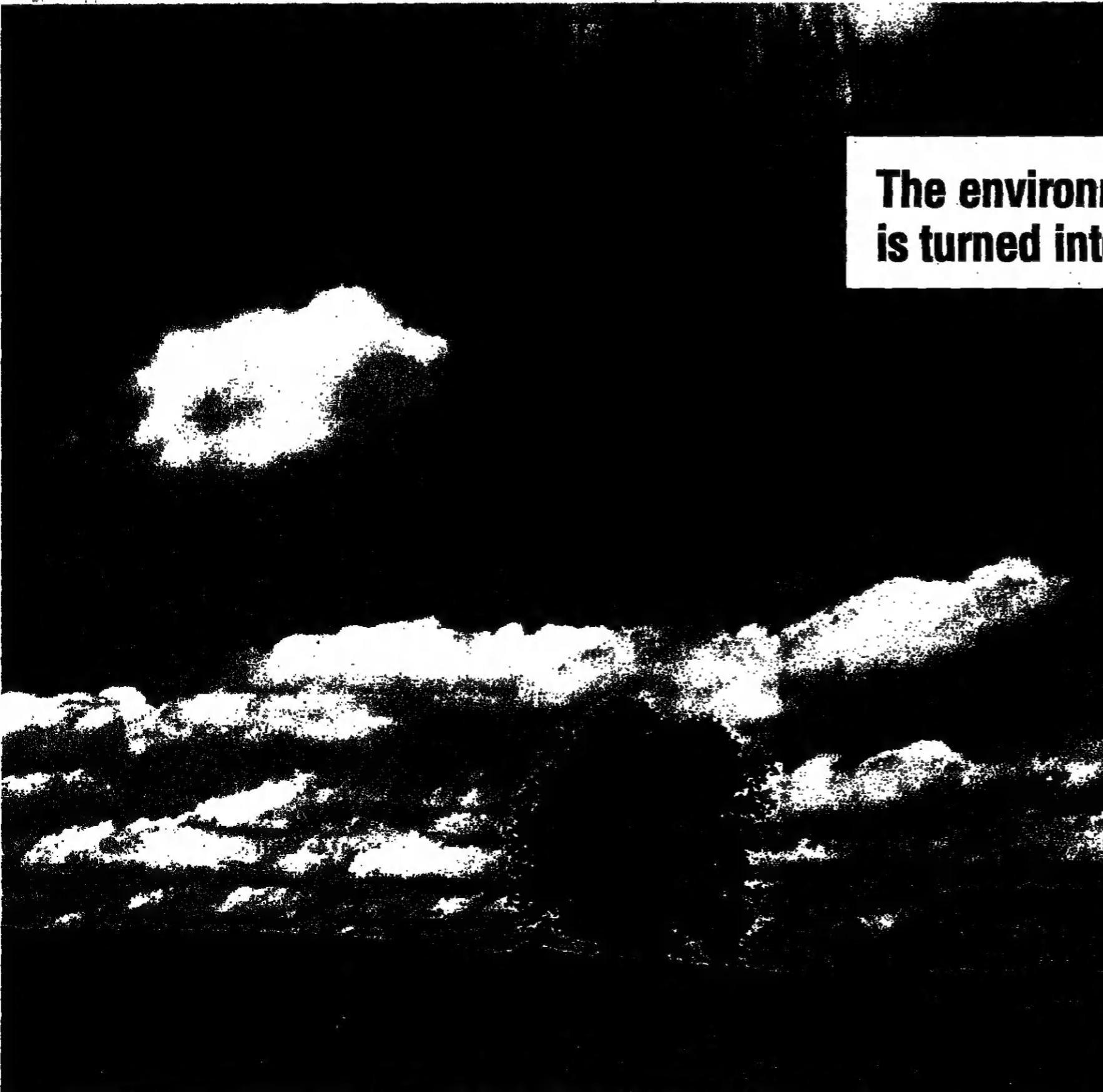
In other words, all four bidders - their identities have not been disclosed - wanted to be assured of government grants to cover the less commercial parts of the operation. As Ryle admits: "Quite a lot of our work in these areas is subsidised by the Design Council's grant in aid. The Design Council never was, and was never intended to be, a fully commercial

operation."

A further worry to bidders must be the operation of the Business Links. It is still unclear exactly what their role will be in relation to design, and how much money they will have to spend on it. It is expected that the DTI will be reluctant to tie the hands of the Business Links by specifying that they must buy in the former Design Council industrial services.

Meanwhile, the "integrated" option has been jettisoned by Ryle and fresh bids for a piecemeal disposal have been invited. According to Design Week, interested bodies include the Chartered Institute of Marketing, the Chartered Society of Designers, the Design Business Association and the Design Museum.

It is likely that some synergy will be lost, says Ryle: "The amount lost will depend on how many of the individual bits we succeed in privatising and how prepared their new owners are to allow them to work co-operatively in the future." And what of those that fall the privatisation test? "If we don't have bidders for individual services, then it is unlikely that they have a future," she concludes.



Our air is becoming cleaner. Recycling in production plants eases the burden on the environment and conserves resources.

The environment benefits when waste is turned into useful material

How Bayer conserves resources by recycling:

There was a time when the importance of using raw materials efficiently was not appreciated to the same extent it is today. Many things that were formerly disposed of as waste are now recycled or have become the starting products for new materials.

For example, sulphur dioxide is collected in flue-gas precipitators and converted into sulphuric acid. Hydrochloric acid, a by-product of chlorination processes, is returned to the manufacturing cycle. Polluted solvents are reprocessed, and useful substances are recovered from waste water with the help of modern separation techniques. As a result, raw materials are conserved and the burden on the environment caused by emissions is eased.

Environmentally acceptable operations and responsible conduct are, to us, important steps forward in preserving the natural basis of life for generations to come.

We would be happy to provide more information upon request. Please write to Bayer AG, Public Relations Department (K1), 51368 Leverkusen, Germany.

Bayer

Expertise with Responsibility

ini posted at
& Allen



TECHNOLOGY

John Griffiths reports on the race to perfect a new transmission system that will revolutionise vehicle manufacture

Revved up for a simple shift in gear

Rivalry is developing between two groups, Dutch and British, in innovations that could make conventional gearboxes redundant. Continuously variable transmissions (CVT) are claimed to be more compact and easier to use than the usual manual or automatic gearboxes.

The claims made by Van Doorne's Transmissie of the Netherlands and the British Technology Group, whose transmission systems have been developed separately and work on different principles.

Although sales of the CVT systems that have been confined to small cars are relatively disappointing, the rivals' claims are assuming significance for the world's car makers for two reasons.

First, Van Doorne, whose CVT technology is the only one used in cars on public sale, appears to have overcome engineering and other hurdles which have so far confined its system's use to low-powered vehicles. It has undergone trials successfully in Chrysler's Voyager multipurpose van and a prototype with 700-plus horsepower powerplant provided by a Williams-Renault racing car in a three-year development programme.

Second, BTG has signed Ford as the first licensee for its Torotrak subsidiary's "infinitely variable" transmission. Ford is considering Torotrak for fitting to the successor to its Mondeo/Contour medium-

sized "world" car at the end of the decade.

BTG says several other licensing agreements are about to be signed after more than a decade of development work on the transmission. It maintains the Torotrak IVT will cost no more to produce than a conventional four-speed automatic, while offering significant performance, flexibility and fuel advantages.

According to BTG's development engineers, it has shown fuel consumption savings of at least 15 per cent compared with a manual gearbox and a reduction in exhaust emissions of around 30 per cent. Unlike all other forms of transmission, including Van Doorne's, it requires no clutch to begin moving and it is claimed to be simpler and cheaper to produce than other systems.

Torotrak could be BTG's biggest commercial coup. Production could run to millions of units a year if the IVT provides a more efficient and adaptable transmission for vehicles from mechanical diggers to buses and racing cars.

The IVT has been under development under various owners, since 1950. It is the variator mechanism, a few inches square, that lies at the heart of the Torotrak system and which, BTG insists, makes it a viable proposition for almost any type of vehicle. BTG believes that this key to resolving the inward compromise represented by current engine/gearbox systems.

An engine needs to rev fairly fast



The Torotrak offers significant performance, flexibility and fuel economy advantages over current systems

to produce relatively low torque, or pulling power, at low speeds. A clutch and a range of gears are, therefore, required to allow the car to pull away from standstill and move progressively to highway speeds. During much of this progress, the engine is operating outside the fairly narrow range of which it is designed and intended. A conventional gearbox replaces the manual clutch with a hydraulic torque converter. This has a similar function to the clutch but uses considerable amounts of energy, increasing fuel consumption. It too, usually has only four gears so it also only rarely allows the engine to operate at maximum efficiency. The pursuit of greater flexibility is encouraging some transmission makers to build five speeds, but this increases cost and complexity.

The current small crop of CVTs in

But it requires no clutch and has no similar mechanisms to the expandable pulley system that makes the Van Doorne concept work.

The variator contains two power input discs which are driven, via a torsional damper, by the engine. Between them are two inner discs from which power is transmitted. Crucial to the concept is that the working face of each disc is curved. Between each set of inner and outer discs are three rollers. The angle of these rollers equates to the input/output ratio. Because the rollers can take up any angle within the special limits of each cavity, these ratios are effectively infinite.

Forces are transmitted between the discs and the rollers by a traction fluid, which under increasing loads becomes semi-solid and thus capable of transferring power through a shearing action. The system requires only a simple forward/reverse lever and if fitted to a powerful car could provide a motorway cruising rate of up to 60 miles per hour per 1,000 rpm.

An electronic engine management system translates driver commands conveyed through the accelerator pedal into optimum engine performance, for maximum acceleration or cruising economy. However, because it is the powertrain's torque that is being directly controlled, not gear ratios, all kinds of gear ratios can be built in through the controlling computer.

Torotrak offers the same ability to select the current drive ratio for any combination of speed and load everyday use, all using Van Doorne's technology. It is available to Ford, Daimler-Benz and Fiat. Volvo (who had by Rover), Renault and Nissan are also using it. They allow the engine to operate at its optimum speed for fuel economy, depending on how the road user is used. However, this is relatively costly.

Torotrak offers the same ability to select the current drive ratio for drivers who wanted the feel of

sports car, says Maurice Martin, one of the BTG executives in charge of Torotrak. The system is not confined to vehicles and can be used to optimise the rotation of electricity-generating windmills.

Several other big advantages are claimed: the transmission has parts of a conventional system and requires no complex machining and no high-performance materials. Also, the fluid working in the transmission should last longer than a conventional unit.

BTG has had fms in the system since 1988. It has been working with Ford for several years, beginning with a prototype transmission in an Orion saloon. Ten Mondeos will be fitted with the transmission by early next year and will be evaluated by high-mileage such as police.

Ford remains to be seen whether it might eventually put a full-scale manufacturing plant within Ford to study technologies that could improve satisfaction while being environmentally friendly. Adam Mirens, Ford's powertrain research manager.

Van Doorne has no doubt its initiative is front runner. Its newly-developed, "second generation" lightweight compression system will have the expandable pulleys of its system provide the basis for transmissions usable across a manufacturer's complete range", he says.

Universities are the group's traditional source of technology. Until 1986 they were obliged to put the exploitation of publicly funded research in BTG's hands, and many continue to do so voluntarily.

Since losing its monopoly hold on UK state-funded research, BTG has developed new technology sources: companies, particularly in the US, such as ITT and Johnson & Johnson; and overseas universities including Amsterdam and Princeton. Harvey insists that BTG's global expansion will leave it better placed to serve the long-term interests of UK academic researchers.

BTG has identified a "top 12" from the 1,400 individual technologies in its portfolio, which it expects to provide the best commercial returns over the next 15 years. One is Torotrak. Others include natural pesticides to follow up the pyrethrins, anti-cancer drugs, plastic injection moulding techniques called Scorte, non-woven textiles and dental cements.

From socialism to free enterprise

Clive Cookson on the forthcoming flotation of the British Technology Group

for profits.

The government decided them, on the advice of its advisers Price Waterhouse, that flotation was not the right way to privatise BTG. One reason, according to a recent National Audit Office report, was that "the company's specialised activities, combined with a declining performance and unpredictable environment, meant the sale would not have a wide appeal".

BTG was sold instead to a management-led consortium of staff, financial institutions and universities, for £27.8m.

Now the management, led by Ian Harvey, chief executive since 1985, and Jack Leonard, who became chairman

last year, has decided that the group's progress over the two years since privatisation justifies a share sale "as soon as market conditions improve". That could be later this year or more likely - next year. Kleinwort Benson, the merchant bank, has been appointed to advise on the flotation.

The main reason for flotation, according to Ensi Kothke, BTG finance director, is that high interest rates at the time of privatisation left the company with an unhealthily narrow capital base. The company aims to raise £15m to £20m, primarily to help fund greater international exploitation of its portfolio.

Valuing BTG will be difficult because

there are no comparable quoted companies in the UK or elsewhere and BTG's financial record is patchy. The most recent results, for the year to 31 March 1994, show pre-tax profits of £4.18m on turnover of £28m, following losses of £3.8m in 1992-93 and £3.11m in 1991-92. However the 1994-95 results will be less good because the last of BTG's money-spinning patents for pyrethrin insecticides expires this year.

Discounted cash flow analysis, applying different risk factors to BTG's various income streams, suggests a market valuation in the region of £250m.

BTG has been adjusting to the expiry of the patents on cephalosporin antibiotics and pyrethrins, which were

its main source of revenue in the past. That leaves magnetic resonance imaging as the biggest single income source; all sales of MRI scanners anywhere in the world will yield royalty income until 2002.

Since privatisation BTG has become more focused, Harvey says. "Our business is the management of intellectual property. We are not a venture capital company and we are not consultants.

We look for and acquire technology with commercial potential; if necessary we put our own funds into developing it. We then patent it in world markets and grant non-exclusive licences for its exploitation," he says.

UK universities and research

PEOPLE

Santini posted at Mills & Allen

Musical chairs at Mills & Allen, one of the UK's leading outdoor media - poster - groups, a subsidiary of the French advertising and media group Avenir Havas Media.

Philippe Santini (right), 44, currently Mills & Allen's managing director for the past four years, is off to become director general of Avenir France, a company with a FFr 1bn annual turnover, some 10 times larger than Mills & Allen.

There, Santini will be in charge of a staff of 900, who operate 48,000 poster sites across France. He will be moving after 11 years as managing director of

David Allen, another AHM subsidiary and one of its leading specialists, to take over from Santini.

Santini will be remaining chief executive and chairman of Sky Sites, the international airports advertising within the AHM group. Santini has been with the group since 1980, when he joined Avenir-AHM as a product director, later becoming head of

O'Cuilleanáin, now for Burroughs Computer (now Unisys) as a trainee and marketing director, joining David Allen in 1982 and becoming its managing director in 1985.

Non-executive directors

Lady Gabrielle Greenbury, 39, is joining the board of ALLIED GROUP, the small marketing services company in which Sir Harry Solomon, the ex-chairman of Hillside, has a substantial

Lady Greenbury and her husband, Marks and Spencer chairman Sir Richard Greenbury, are old friends of Sir Harry Solomon who stepped down as Hillside's chairman last year. Sir Harry returned to Princedale a year ago when the company bought three peripheral businesses.

Lady Greenbury, who also sits on the board of the National Theatre, has been helping one of Princedale's design companies for some months.

Chris Dinesen has been appointed chairman of Carlsberg-Tetley Brewing, part of ALLIED-LYONS, in Don Marshall who will become a vice-chairman of the company and remain on the Carlsberg-Tetley board until he retires at the end of the year.

Bob Wiper, chief executive of National Tyres and Autocare, part of Continental Tyre and Rubber Group, has been appointed chief executive of National Express Ltd, part of NATIONAL EXPRESS GROUP.

David McCall has been appointed chairman of Anglia 21, the retirement of Sir Peter Gibbons, and to the boards of MAI and MAI Broadcasting. Malcolm Wall, deputy chief of Meridian, has been appointed as Anglia, and Mike Hughes, deputy chief executive of Anglia, has been appointed resource and development director of MAI Broadcasting and a director of Meridian.

Peter Phillips, marketing director (international region) for United Distillers, has been appointed commercial director of OWS AERODRONE. Tony Coleman joins group human resources director from Grand Met.

Tony Elliott has been promoted to director, marketing, of Masterdrive, part of LONRHO.

Ulf Mattisson has been appointed md of TARKETT in the UK. Peter Brown is promoted to group md of Europe for TOMY.

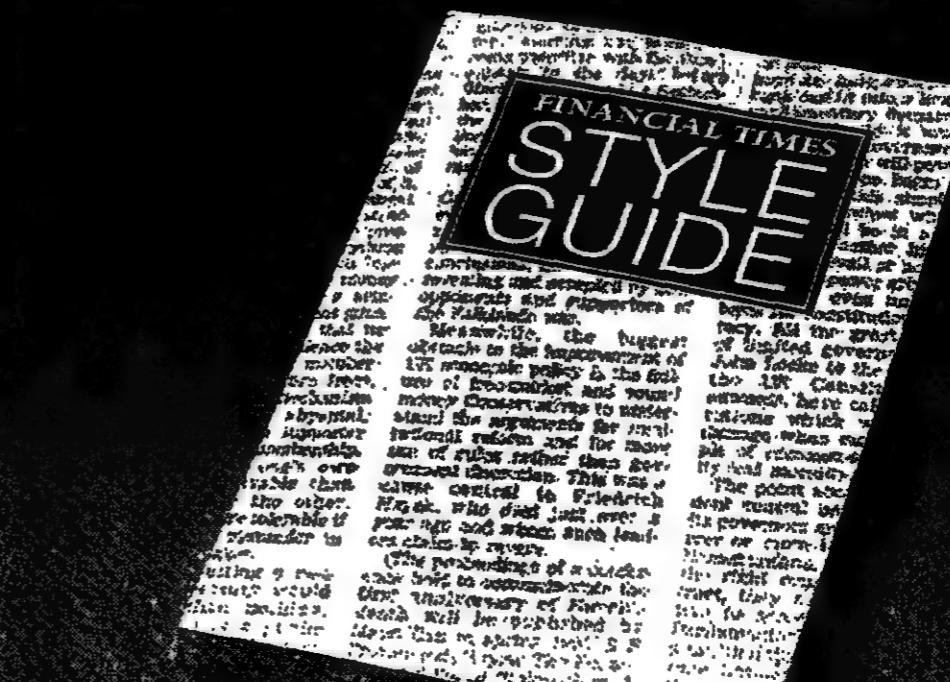
■ David Blair (above), 51, is to become chairman of the construction division of JOHN HAMM at the end of this year. He will replace Jon Rushton, 61, who is retiring. Blair and Denis Madden, group personnel director, will main board directors.

Blair joined the group in 1982. He is currently a director of the construction and international divisions, responsible for the group's civil engineering activities.

John Laing has appointed three associate directors: Derrick Arden, chairman of the property division; Bruce Boys, chairman and managing director of the international division, and Stephen Lidgate, chief executive of Laing Homes.

Collin Cole has been appointed deputy group finance director of WESTBURY HOMES.

The Financial Times Style Guide.



Everything you need to know about writing.

The Financial Times Style Guide is designed to offer advice on all aspects of good writing practice. It outlines basic rules, highlights common errors and includes current forms of spelling.

Set out alphabetically, it is simple, informative and easy to use. It has been designed to be entertaining.

A reference section includes glossaries of

To: John White, Financial Times Ltd, Number One Southwark Bridge, London SE1 9HL. Fax (071) 873 3072.

I would like copies of the FT Style Guide, price £10 (+ post and packaging £2).

Please charge to my: American Express Mastercard Access Visa Only UK cheques accepted:

Card expiry date _____

Name _____

Company _____

Title _____

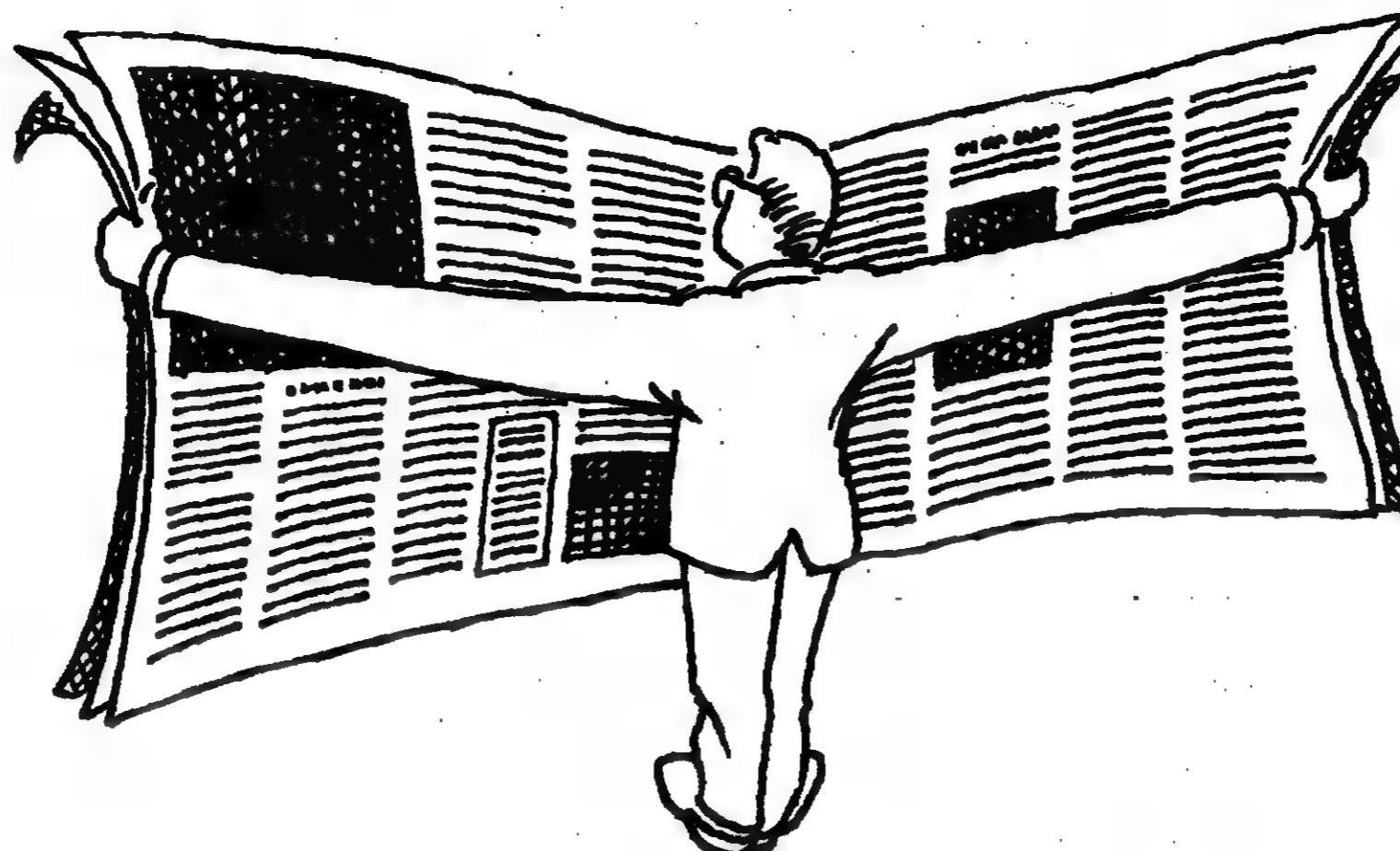
Telex _____

Signature _____ Date _____

(No order accepted without a signature)

The information you provide will be held by the Financial Times and may be used to keep you informed of FT products and by other selected companies for mailing list purposes. The Financial Times is registered under the Data Protection Act 1984. The Financial Times, Number One Southwark Bridge, London SE1 9HL. Please tick this box if you do not wish to receive any further information from the FT Group or companies approved by the Financial Times.

How do you keep up with an expanding Europe?



Europe's essential online business information service from the Financial Times.

Now that the single market is a reality, the need for business information ... on markets, on your competitors, on European legislation... has become more urgent.

So how do you keep up with all of the changes? And how do you separate the useful information from the time-wasting trivia?

You need FT PROFILE.

As a Financial Times reader, you already know where to turn for authoritative reporting on the issues and events that influence European business. FT PROFILE draws on this authority and on hundreds of other

equally important information sources to give you the facts you need - in seconds.

FT PROFILE is easy to use.

All you need is a PC, a phone line and access to FT PROFILE. It helps you sift through the millions of pieces of available information for the facts that can make the difference between a good guess and an informed decision.

To learn more about how FT PROFILE can enhance your perspective on business in Europe and the world, call us now, or simply complete and return the coupon to...

FT PROFILE,
13-17 Epworth Street, London EC2 4DL,
Great Britain. Tel: +44 (0) 71 825 8000

Financial Times Information Services,
Nibelungenplatz 3, 60318 Frankfurt Main,
Germany. Tel: 069/15 685 - 113.

Financial Times Information Services,
Bureau De Vente Paris, 168 Rue De Rivoli,
75001 Paris, France. (1) 42 97 06 10.

Name _____

Job Title _____

Company _____

Nature of business _____

Address _____

Postcode _____ Telephone _____

Country _____

No. of employees under 50 50 to 100 over 100

I already use online Yes No

FT PROFILE
BUSINESS INFORMATION

PART OF THE FINANCIAL TIMES GROUP

ARTS

To be a filmgoer is to be caught in an eternal duel for your attention between two weapons: the exclamation point and the question mark. You hope the first will triumph, and that you will be painlessly lanced by delight, hilarity or amazement. More often the second prevails. Queries lodge in your head like fishhooks. You cannot enjoy the movie because you keep asking: Why would such-and-such happen to So-and-So, and what on earth is the logic of Whatsoever doing whateverit.

Take Staggered, a British comedy. In three days, toy demonstrator Neil (Martin Clunes) is to marry pretty Hilary (Sarah Winnam). But on stag night his prospective best man Gary (Michael Praed) drags him and half-coorts him off to a remote Scottish island.

So far, so logical. Gary is enamoured of ex-flame Hilary and wants to push Neil out of the picture. It is after our hero awakes naked on his shingle that the film starts to look several herrings short of a full catch.

First Neil, finding the only phone booth for miles around, makes a reverse-charge call to Gary, whom we see answer it without any "Will you accept the call?" preliminaries from the operator. Then when Neil is directed by Gary to an Aberdeen Airport locker where he will find proper clothes (he hitched a lift from a passing supply plane), we watch him embarrassedly change into the clothes right there in front of two cleaners. Why? It is a minor point – but why not use the airport loo?

Shortly after that Neil is arrested on touchdown at Newcastle Airport by local Chief Inspector (John Forgeham), who speaks with a Birmingham accent. Why? Then we learn that it is apparently the habit in Newcastle for a busy Inspector to stay handcuffed all night to his captive as the latter lies in bed. Why? Then when the captive wants to make a vital telephone call in a hospital, the only available phone is in the morgue. Why? So that plot wheels can turn and Neil can meet his girlfriend-to-be, a vampire pathologist called Carmen (Anna Chancellor).

And so on. I looked at my scribbled notes after the film and each began with "Why?" Comedy is without logic, for it is the art of taking that logic and tickling it until it unbends into chaos. If you begin with an illogical premise – let alone an army of them – what "undoing" is there to laugh at? Faced with a senseless world, what is funny about additional senselessness? Persons to blame: writers Simon Brattwate and Paul Alexander. Persons to pity: Martin Clunes, who was as acting was drafted in late to direct.

Then there is the horror side of question-mark cinema. In *Needful Things*, directed by Fraser C. Heston (Charlton's son) from Stephen King's novel, why does the promising plot about the Devil visiting a small New England town in the guise of an antiquarian Max Von Sydow, go so remorselessly to pieces? Von Sydow sells each townsperson the object of their dreams in exchange for a diabolical favour. So a straightforward cast – Plummer, Ed Harris, Bonne Bedelia – spends its time maiming, murdering tormenting the fallows.

M. Von Satan, you see, wants to set



Comedy lost without logic: Martin Clunes with imagined wedding in 'Staggered'

Cinema/Nigel Andrews

Several herrings short of a catch

In town on [REDACTED] By pricking everyone into acts of motivesless spite – as in *Strangers On A Train* person [REDACTED] does person B's dirty work and so on – he ignites dormant grudges into a conflagration of hate.

But why, as soon as the townsperson twigs to the disproportion between the gratification of their modest wishes and the heinous crimes required of them, do they not boot the old devil out of town? Why does it take two hours of screwing to finger Old Max as Old Nick? Answer: because none of those townspersons is a living character, merely a pawn in King's plot. What is more, the plot is an old one. It was done before not just by Highsmith/Hitchcock, but by novelist Deshail Hammett in *Red Harvest*. And done much much better.

We must not be dogmatically "either-or" about the question mark/exclamation mark issue. Some mix the two together. From Pierre Salvadori's *Wild Target* is nearly all exclamations with its sweetly plot about a fuzzy human (Rochefort), his stumbling apprentice (Delpierre) and the pretty girl they turn from quarry into protégé (Marie Trintignant).

The parrot jokes are [REDACTED]. M. Von Satan, you see, wants to set

STAGGERED (15) Martin Clunes

NEEDFUL THINGS (15) Fraser C. Heston

WILD TARGET (15) Pierre Salvadori

THE SAINT OF PORT WASHINGTON (15) Tim Hunter

GO FISH (18) Rose Troche

– Matt [REDACTED] is down-and-out status in dingiest New York [REDACTED] no less precipitately becomes soul-buddy with black street-sleeper Danny Glover – compose themselves into a movie that leaves social-realist sentimentality with [REDACTED] more sharply [REDACTED] NY's welfare system and geography. The last-scene visit to [REDACTED] city's dumping ground for the homeless dead, in a mass unmarked grave on a neighbour's island, is chillingly moving.

But the best film of the week is

Fish: all exclamations points and no queries. We may be unfamiliar with lesbian life in 1990s Chicago, but not after this. A comedy of manners and taste manners directed by Rose Troche and co-written by her and the film's star Genevieve Turner – she plays the kooky girl with the back-to-front baseball cap – it is very funny and discombobulatingly frank. Are there any Sapphies courting [REDACTED] do not know? Or any [REDACTED] body parts you do not know gay women's [REDACTED] for? Again: not to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

sumes over rough-lit faces and bodies and furnishing items, like a house guest trying to find his or her sleeping bag.

But after the doggerel of the week's commercial film-making, this is free

by a genius. The off-hand-funny dialogue is a delight. Offhand-spoof gusts of agitprop correctness – "She doesn't seem to be interested in her own oppression" – with a raunchy wit and candour that male chauvinists (straight or gay) will be shocked to discover is not their exclusive pre-

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: [REDACTED] Fax: 071-407 [REDACTED]

Thursday July 7 1994

Leader for the WTO

When almost 120 governments signed the Uruguay Round in April, they hailed it as the most sweeping reform of the world trade system since the General Agreement on Tariffs and Trade was established 47 years ago. But the gains promised by the round will be realised only if the impetus needed to agree on the grand design is now applied with as much determination to its execution.

Critical to the success of the endeavour will be the choice of a leader for the World Trade Organisation, which is due to succeed the Gatt early next year. The WTO will have a formal institutional structure, clearer procedures and stronger dispute settlement mechanisms. It will also enjoy a far wider remit, embracing such issues as trade in services and intellectual property rights.

However, the organisation's profile will be more matched by increased responsibilities. The most important is to implement the Uruguay Round. As well as holding governments to their commitments to open trade in heavily-protected sectors such as agriculture and textiles, that will involve developing a multilateral regulatory framework for areas such as services and direct investment.

In tackling many of these questions, the WTO will inevitably find itself encroaching on domestic policies, long regarded by governments as their sovereign preserve. The potential for political friction is clear. It will almost certainly be heightened if the organisation yields to demands that it plunge into contentious issues, such as the links between trade and labour standards and environment policy.

Challenges ahead

These challenges will be addressed against a background of rapid change in the world economic order. Many developing countries have overcome former suspicions of the free market to embrace liberalisation. Meanwhile, industrialised powers have grown defensive and equivocal in their commitment to the multilateral trade system, of which they were once the main proponents. The system's integrity is further threatened by the risk of financial

instability posed by capital flows and by the formation of regional economic blocs, which may try to manipulate multilateral rules to their advantage.

Much of the onus for charting a course through turbulent cross-currents will fall on the WTO and its head. What should be the latter's priorities - and personal qualities? Obviously, the organisation needs to be efficient and well-run. However, its head need not become deeply immersed in its administrative and technical affairs, many of which can safely be delegated. Nor should the boss be closely involved with the WTO's dispute mechanisms, which will be judged largely on their impartiality and independence.

Coherent leadership

By far the biggest task will be to give coherent direction and leadership to world trade policy. That calls, first, for clear strategic vision and an ability to set firm long-term objectives for enhancing global economic welfare. Second, it requires the personal authority to persuade governments that it is in their collective interest to put these goals above the narrow pursuit of national advantage. The third prerequisite is political skills, combining sensitivity to the differing domestic pressures on WTO members with a flair for forging common ground between them.

The WTO leader must also command wide international confidence. For any powerful member to try to impose a candidate would undermine that goal. Above all, Europe, which has provided every Gatt director-general, should not assume it has a special claim on the WTO post. Nor does Europe's current introspection command it as a recruiting ground.

Of course, there is so far, President Carlos Salinas of Mexico appears to match up most closely to the requirements of the job. However, he has still to say how he would tackle it, while others may yet enter the race. If the WTO is to get the leadership it needs, it is important that the choice of contenders be as wide as possible. They should be encouraged to state clearly the agenda they would follow and how they propose to put it into effect.

New directions for the BBC

The government's white paper on the British Broadcasting Corporation, published yesterday, sets out two aims. The BBC should continue to be a public service broadcaster "serving the nation" and it should be equipped to compete in the revolution under way in media industries worldwide.

These are appropriate, if ambitious goals. The BBC is an institution of great cultural and political significance; potentially, it is also a large commercial asset. Prescriptions, however, are not easy. Technological changes are eroding the barriers between television, telecommunications and information-processing; there is no neat formula to spot or to nurture winners.

Moreover, the government's record of media regulation has in recent years been poor. Its piecemeal approach has spawned anomalies and unworkable rules, notably the 1990 Broadcasting Act, intended to govern ITV's actions for a decade, but already partly jettisoned. The patchy regulatory regime governing satellite and cable television is also the subject of much concern.

Given that history, the government is sensible to limit its main thoughts on the BBC to a five-year horizon beyond 1995, when the current charter expires. There will then be a further review about BBC funding to take the corporation to the end of a new 10-year charter in 2006.

The main recommendation is that the BBC should keep the licence fee - a flat rate payment by all owners of television sets - as the main source of funding its public services at least for the first five-year period. The government has again concluded that the fee, although "an oddity" is the least bad way of hypothecating public funds to the BBC to enable it to make and broadcast a mix of programmes distinct from those on offer by the commercial channels.

Unaddressed problem

The unaddressed problem is that the licence fee cannot indefinitely, at some point, a falling share of the audience will make such a universal tax unsustainable. It may well be optimistic to imagine that it can be sustained for the next seven years.

The second flange of the government's strategy is to urge the BBC

to develop alternative sources of income, especially in the rapidly growing world of international broadcasting, but also to an unspecified extent in the domestic cable and satellite market. The BBC, says the white paper, "should be able to evolve into an international multi-media enterprise". The government approves the corporation's recent spate of alliances with the private sector and plans to repeal those parts of the 1990 Broadcasting Act which tie it down.

Tricky questions

These steps are the right ones for the BBC, but it is not clear that the government has envisaged just how many tricky questions they will raise. Although the BBC is told that it must keep separate commercial and publicly funded accounts and that it must trade fairly, it can only be a matter of time before it is challenged by its private sector competitors for unfairly cross-subsidising commercial services. At the same time, if the BBC really wishes to exploit its newly sanctioned commercial status, it will bump regularly hard against the government's borrowing limits, by which it is still bound. Nor is it likely to be entrepreneurially foot, in a world dominated by the likes of Mr Rupert Murdoch and Mr Ted Turner, when every deal has to be approved in Whitehall.

The obvious question, ducked in the white paper, is why the BBC should not be steered towards the private sector, there to engage freely in the international marketplace, much as, say, privatised British Airways, has been able to do.

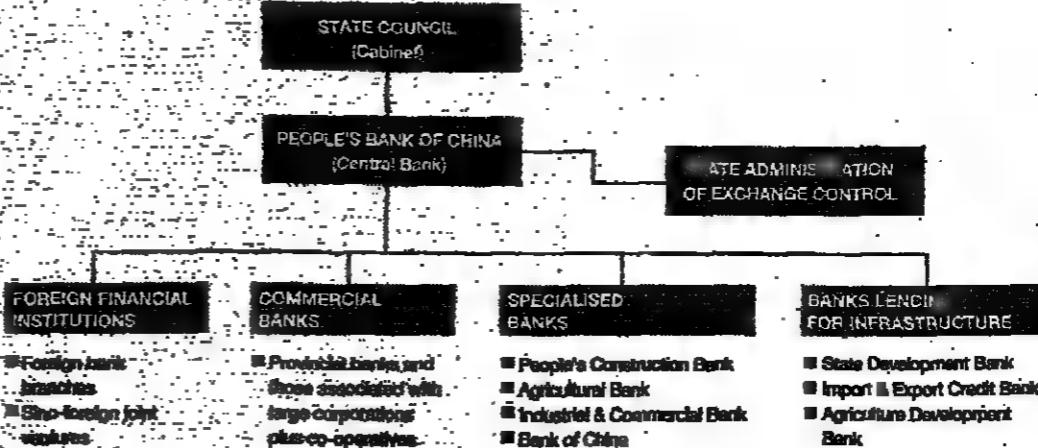
The privatisation route is, of course, not without difficulties. There would still be a need for public finance for truly non-commercial broadcasting and problems exist in funding by both advertising and subscription, although these are not insuperable.

What yesterday's white paper really does is to establish two BBCs in uneasy harness with each other, one maintaining a familiar public service, the other driving hard into global markets. Eventually a choice will have to be made, but the government has the courage to make it now.

Banking reform in China: new discipline for a troublesome sector



The old China: a sweet collector in Beijing



The new China: automatic cash teller in Beijing

From abacus to automation

China is embarking on an ambitious programme to overhaul its financial system, says Tony Walker

China, in its efforts to speed integration with the world economy, is seeking to build a central bank with the authority to match that of the Federal Reserve of the US or Bank of Japan. At the same time, it intends to reform its 1,000 commercial banks along international lines.

That, at least, is the plan; but an enormous effort is required to convert theory into practice in a financial system in many ways still rooted in the age of the abacus. Among the most pressing tasks facing reformers is to end the central bank's traditional role as milch cow for loss-making state enterprises.

Mr Di Weiping, a deputy director of the bank, says that under the new charter the People's Bank would be uncompromising in its fight against inflation. "We need a further tightening of money supply growth," he says. "We are not going to compromise with state enterprises."

These fighting words reflect a newfound zeal among central bank officials operating under new rules and with high-level political backing - senior vice-premier Zhu Rongji is also People's Bank governor - but it is early in the bank's transformation to a western-style central bank, and political countermeasures are certain to build.

As the state sector sinks further into the red in what is proving a fairly brutal transformation from a state-controlled economy to a market-driven system, so will demands intensify for an easing of credit. Indeed, there have been indications in recent weeks of loosening of the purse strings with funds being available to keep faltering enterprises.

Since the party's policy-making central committee gave approval last November for sweeping changes to the financial system, China has moved ahead fairly quickly - both at revolutionising the People's Bank's role, and responsibility for lending for infrastructure projects from the four specialised commercial banks. These institutions, which have 90 per cent of the country's banking business, include the Industrial and Commercial Bank, the Agricultural Bank, People's Construction Bank and Bank of China.

Lending to China's infrastructure requirements, including such projects as the US\$6bn Three Gorges dam on the Yangtze, will be the new State Development Bank and Agricultural Development Bank (see accompanying article).

Opinionated Poles

Who is the most popular world statesman in Poland today? Why, none other than Bill Clinton, according to a poll conducted by CBOS. Rather odd really, when you consider Clinton is less than wholeheartedly supportive of some Polish aspirations. The US president has declined to hold a press conference in Warsaw today, thus saving himself the bother of publicly repeating his "yes - but not just yet" response to Poland's plan to be allowed to join Nato.

The poll gives Clinton a 75 per cent approval rating - one point more than Margaret Thatcher but significantly less than the 87 per cent George Bush got in a similar poll in [REDACTED].

Still, Clinton can bask in the glory of being more than twice as adored as his host, president Lech Wałęsa; he gets a measly 35 per cent. Even Nelson Mandela manages only 38 per cent; Boris Yeltsin gets 11 per cent.

And okay, polls lie - but they have their uses. This one at least can be waved by John Major's [REDACTED] when they get tired of hearing scurrilous suggestions of his greyness.

Major may not be popular in Poland - only 34 per cent of Poles like him - but at least he's [REDACTED] (relatively) big - only 42 per cent

reforms will also have profound implications for foreign companies seeking to extend their reach in the China market but frustrated by the difficulties of penetrating an archaic, inward-looking system. At present, the 100 or so branches of foreign firms in China are restricted to foreign currency business on behalf of joint ventures. But the "commercialisation" of China's banking, allied with international pressure on China to open its services sector - Beijing's desire to enter the General Agreement on Tariffs and Trade is being used as a lever by the US and others - will facilitate greater foreign involvement in the financial sector, although progress will be slow.

Chinese officials acknowledge that their task is awesome, given that the banking system has changed little in the more than four decades since the Communists took over in 1949. At the People's Bank, for example, plans are in hand to reorganise the bank from "top-to-bottom"; it has 170,000 employees and 3,000 branches and sub-branches, many of which will be redundant under the bank's new charter. The streamlining is intended to enhance the bank's authority over monetary policy and its supervision of financial institutions both at the centre

and also in the provinces, where the difficulties facing the central bank in disciplining an unruly financial sector, including, it seems, its own branches. According to the official Business Weekly newspaper, the Shenzhen branch in southern China of the People's Bank went bust last year and approved the establishment of four investment units in defiance of regulations that only head office in Beijing had the right to approve [REDACTED] funds.

People's Bank officials - who have been studying the German Bundesbank, Bank of England, Singapore Monetary Authority, Bank of Japan and US Federal Reserve, among others - plan to establish about a dozen regional centres with increased responsibilities to impose much-needed discipline on local financial institutions. In this respect, the Chinese central bank's evolving structure will resemble that of the Federal Reserve - although the People's Bank will have nowhere near the same degree of statutory independence as the American model.

Independence was a key issue among Chinese leaders in their deliberations about an appropriate relationship between the government and the central bank. In the end, they decided that the People's Bank should be subordinate to the state council (cabinet), but they also sought to define clearly the bank's responsibilities to resist possible political interference.

Any dream of real independence for China's central bank may remain just that. In the opaque Chinese system, where most important decisions are taken far from the public gaze, the political clout of the top People's Bank official will be the critical factor rather than the wording of the new charter. The redoubtable Mr Zhu has made it clear that his role as central bank governor is temporary. His successor, who will be appointed by the state council, is unlikely to match his seniority.

For all the reservations of western economists and bankers about China's ability to manage its way through a minefield of new financial reforms, there are those who believe reformists are in the doubt in this testing phase.

Mr Peter Botteler, head of the World Bank's mission in Beijing, praises measures already adopted this year. These included, principally, unifying competing exchange rates, [REDACTED] managed official rate, as a vital step

Sturdy pillars of reform

Mr Yao Zhanyan, director of the new State Development Bank, feels that he is carrying a "heavy burden" in the bank's first months of operation.

The SDB, he says, in fulfilling its target of lending Yen60bn (\$8.3bn) this year for infrastructure projects, will be responsible for a significant proportion of China's total credit plan. The bank, together with the Export and Import Bank and the Agriculture Development Bank, are pillars of China's banking reforms. Their establishment is regarded by World Bank and IMF officials as a crucial step in the reorganisation of China's banking sector.

The SDB president said his bank would be run according to commercial principles. He was adamant that it would not assume responsibility for the non-performing "policy loans" of the specialised banks. "We say that old problems should be solved through old channels. New problems should be dealt with using new methods. If we took over the problem loans, our bank

would go bankrupt in three years."

The establishment on July 1 of the Export and Import Bank of China is another example of changes in the financial system. China, which is striving for a niche among the world's top 10 trading nations, is signalling determination to compete more aggressively.

Mr Tong Zhiqiang, chairman and a former vice-minister of foreign trade, said that the bank's activities would be "critical to ensure that China's exports sustain momentum". He indicated that the bank's priorities would include increasing exports of machinery and electronics, which presently account for a quarter of China's average annual exports.

"In the long run," Mr Tong added, "our bank will facilitate China's industrial restructuring that gives rise to more export-oriented industries." China's banks could hardly be accused of lacking direction.

OBSERVER



out will still be able to tune into high frequency Morse messages, but the medium frequency will be retained just for search and rescue alerts.

This distressing move will annually save the Maritime Safety Agency the paltry sum of \$200,000. Time for one Morse message familiar to every school child: Dot-dot-dot dash-dot dash-dot-dot.

Rum rationing

Dash it all, is no British naval tradition safe? Already under [REDACTED] from the merchant shipping industry for allegedly being less than generous to ships flying the red ensign, from August 1 the government intends scrapping medium frequency Morse code, used for transmitting weather and navigational information.

The medium frequency is used

to some of the biggest media tycoons, according to a report in Nigel Dempster's Daily Mail gossip column yesterday.

However, there was one name missing from Dempster's roll-call: Blair's famous media neighbour; step forward Paul Dacre, editor of the Daily Mail.

Brooks merely added: "Ministers are here today, [REDACTED] tomorrow." But the acid lives on forever.

Ungrim reaper

Pah! to all those profiles of South Africa's new finance minister, Christo Liebenberg is clearly a man of greater substance than they imply, as is revealed by a 1993 edition of the house magazine of Nedbank, the bank where he worked from 1952.

First job: "Sweeping the floor in local barber shop for pocket money at the age of 15." First job with Nedbank: "Mail delivery and stamp licking."

Philosophy of life: "You will reap whatever you sow."

Likes: "Quality, expertise, professionalism... and pretty girls!"

Mail-shot

No wonder the media seems to have fallen in love with Tony Blair, Labour's leader-in-waiting. He is good-looking, knows his sound-bites and, even better, he lives next door to

Stone me!

An astute letter in yesterday's Guardian congratulated Prince Charles on his wish, when crowned Charles III, to amplify his role from being defender of all faiths, to being defender of all faiths. It then posed the awkward question: "Does he know the punishment for adulterers under Islamic law?"

You just get told off a bit - don't you?

Kicked off

Ian Lamont of Yorkton, the stockbroker, reckons there are four main types of football:

- Association Football - a game for gentlemen played by hooligans;
- Rugby Union football - a game for hooligans played by gentlemen;
- Rugby League football - a game for hooligans played by hooligans;
- American Football - a game for Americans played by Americans.

There is also of course Gaelic Football: a game for masochists played by the Irish.

Thomson-CSF announces two Dasa joint ventures

By David Buchan in Paris

Thomson-CSF, the French defence-based electronics company, yesterday announced two joint ventures with Deutsche Aerospace (Dasa) in an attempt to demonstrate that it had not been deflected from its expansionary course by losses from the Crédit Lyonnais bank that put it FF12.5bn (\$1.25m) in the red last year.

The Thomson-CSF and Dasa joint companies are involved in "smart" munitions and missile propulsion. They would have a combined turnover of FF1.5bn.

"We have not yet finished our expansion," said Mr Alain

Gomes, president, noting that only external acquisitions during the past four years had enabled Thomson-CSF to keep its turnover steady last year at FF12.5bn.

The French government confirmed this week its decision to renew Mr Gomes' tenure as president of Thomson SA, the group holding company, as well as of Thomson-CSF.

Mr Gomes disclosed that he had recommended to the government that before privatisation – which will possibly take place next year – the subsidiaries and the holding company should be merged into a single unified group.

He said, however, that this

course of action should only be taken after an improvement in the balance sheet of Thomson Consumer Electronics, which had already transformed its 1992 operating loss of FF13.5bn into a net operating profit of FF1.5bn last year.

Thomson recorded an overall net loss last year of FF13.5bn, which was largely due to Thomson-CSF's FF12.5bn net loss.

As a 21.5 per cent shareholder in Crédit Lyonnais, Thomson-CSF had to absorb a proportional FF1.45bn share of the bank's 1992 loss and to set aside FF1.7bn in provisions against possible bad property loans by the bank.

Mr Gomes disclosed that he had recommended to the government that before privatisation – which will possibly take place next year – the subsidiaries and the holding company should be merged into a single unified group.

He said, however, that this

Net income at BZ Bank down 70% at mid-term

By Ian Rodger in Zurich

BZ Bank, the Zurich securities house controlled by Mr Martin Ebner, has reported a 70 per cent slide in net income to SF15.1m (\$1.1m) for the first half of 1994.

The decline was due mainly to write-downs on the value of securities, reflecting the 7.4 per cent decline in the Swiss market during the period. Write-offs and provisions jumped from SF12.5m to

SF1.7m in 1993, indicating the bank's ability to generate trading activity even in what it described as a "rough" year.

Mr Ebner said trading activity had remained strong throughout the first half until late June. The bank also gained commission income from substantial new-issue activity and from a fast growing custody service.

At the end of June, it held SF12.8bn worth of securities in custody, compared with only SF11.0bn at the end of 1992, he said.

Interest income of SF11.1m exceeded interest charges of SF10.5m for the first time, reflecting the growth of short-term lending to clients for their securities purchases.

Mr Ebner was optimistic about the second half, anticipating a recovery in Swiss equity markets.

Belgian minister meets air chiefs

THE MINISTER OF DEFENCE, Jean Sabena and French carrier Air France meet today with Belgian communications minister Mr Elio Di Rupo, reports from Brussels.

A ministry spokeswoman said the new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

Control and Energy Management product divisions into three customer-oriented segments, Renger reports.

The new divisions will be known as Utilities, Commercial Buildings and Residential Buildings.

The creation of a market segments organisation is a consequence of Landis & Gyr's strategic direction of becoming stronger oriented toward end-user markets.

Mr Dieter has informed the

supervisory board that in the event of his election to the supervisory board he would not be available as the board's chairman as long as there is no result of the special investigation." Mannesmann said.

Landis & Gyr will elect supervisory board members at the annual general meeting tomorrow.

Landis & Gyr, the electrical engineering group, said it was reorganising its two Building

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Mazda seeks 10% reduction in costs

By William Dawkins in Tokyo

Mazda, the loss-making Japanese carmaker, plans to cut manufacturing costs by 10 per cent this year, and reduce over the medium term the number of models it makes.

The group, which in 1993 incurred its first loss in 19 years, would be in the red again this year, said Mr Henry Wallace, a former Ford executive recently appointed vice-president of Mazda, which is a 24.5 per cent-owned Ford affiliate. However, he forecast Mazda would return to profit in the following 12 months.

Mr Wallace is one of the three senior Ford executives who joined Mazda early this year — through an agreement between the companies — to expand their 25-year-old partnership and help Mazda adjust to the slowdown in its main markets.

Since the start of the year, Mazda has nearly doubled the size of its design engineering team. It seeks cost-savings through the redesign of components, and has also secured 10 per cent price cuts from component suppliers.

This is on top of earlier restructuring plans which involved closing a plant and reducing the workforce by 3,000, 10 per cent of the total, during the three years to 1996. The group was also planning to rationalise its product line, where it had "too many products we can't support for the future", said Mr Wallace.

However, Mazda's production capacity was now "pretty much OK", he said. The group could break even by next year, even if the Japanese currency rose to Y85 to the dollar, and make a "significant profit" at Y100 to the dollar, he said. Mazda had prepared "contingency plans" to become profitable if the rate rose above Y95.

Mr Wallace hopes that talks with Ford on possible European co-operation would be finalised in the next 12 months. The next step in the alliance has been the subject of renewed speculation since Ford's decision in April to create worldwide divisions for different classes of car.

Banks offer lesson in regulation

The issue of how best to police derivatives has been exercising the minds of regulators, bankers and end-users for several years. The usual regulatory approach has been to apply existing standards to the derivatives markets.

In a paper published yesterday by the Centre for the Study of Financial Innovation, Mr. Taylor, executive director of the Washington-based think-tank Group of Thirty, turns that approach on its head. He argues that not only do regulators get it wrong, but that derivatives specialists at banks largely got it right. In fact, he says, the model-based approach to market risk management adopted by derivatives specialists should be extended not only to other areas of securities trading, but also to credit risk and other types of risk.

"The central idea is that the amount of capital a bank needs is related to the riskiness of its business, measured by the volatility of its income," says Mr. Taylor. Unlike the traditional approach of assessing credit exposure, this involves predicting future volatility using historical models and marking to market.

There are four steps:

- regulators need to set risk

parameters, such as the scope of historical data;

- they must validate the computer models used by banks;
- banks must estimate an overall "value-at-risk";
- finally, the regulator has to apply a "conservatism factor" to the resulting estimates, in

DERIVATIVES

order to calculate the capital adequacy standard.

The ideas in Mr. Taylor's paper, "A new approach to capital adequacy regulation for banks", stem partly from discussions with market practitioners when putting together the Group of Thirty's guidelines on best practice in the derivatives

"Our discussions led me to think that it might be possible to apply concepts need there, like value-at-risk and statistical measures of income volatility, to the wider problem of setting capital adequacy standards. Then I learnt that this idea was nothing but 'best practice' in capital allocation," Mr. Taylor explains.

As well as setting out how this could be done by regulators, Mr. Taylor criticises the existing approach, embodied in the 1988 Basle Accord, and the market risk amendment, which

is described as "rough and ready".

However, Mr. Taylor, who has discussed his ideas with both regulators and bankers, is surprisingly optimistic about the prospect of regulators taking up what is effectively a reversal of their traditional approach to regulation.

Certainly, the Basle committee delayed implementing its market risk amendment due to the strong adverse reaction by banks.

Originally, the period was to end in December 1993, for a decision in early 1994, followed by implementation. Mr. Taylor says he expects regulators to allow greater use of calculating market risk than indicated in the original consultative paper.

There are a number of points in Mr. Taylor's favour. First, applying rules which already correlate with internal risk management is clearly a more efficient approach. Secondly, regulators' own understanding has advanced in leaps and bounds in recent years. They may now be ready to apply some of the lessons learnt to other areas of regulation.

However, there are also problems. The computer models used are extremely complex

and, to police the system effectively, regulators would have to employ highly-skilled staff. Such staff, as well as being expensive, might quickly be tempted to move to banks.

Mr. Taylor thinks this problem can be overcome. "Regulators are taking a lot of time and trouble to train people," he argues. In addition, he believes that as the derivatives markets continue to expand, the pool of experts in the field will grow.

To some degree, the same problem exists among smaller banks and institutions on the fringes of the market — although, arguably, market participants who are not sophisticated enough to implement this type of risk management should not be involved in the market.

Secondly, many of the blow-ups in the derivatives markets have taken place not because of inherent risks, but because traders have deliberately misrepresented or falsified positions. A system relying on traders going to market would have to be very closely policed.

• *A new approach to capital adequacy regulation for banks; Centre for the Study of Financial Innovation, 18 Curzon Street, London W1Y 5AZ.*

Tracy Corrigan

This announcement appears as a matter of record only.

**Kingdom of Sweden**

NLG 250,000,000
Floating Rate Notes 1994 due 1999

ABN AMRO Bank N.V.

Deutsche Bank de Barry N.V.

Rabobank Nederland

Swiss Bank Corporation Nederland N.V.

Bank Brussel Lambert N.V.

Commerzbank Aktiengesellschaft

KBV N.V.

Credit Lyonnaise Bank Nederland N.V.

DG BANK - Deutsche Genossenschaftsbank

Kredietbank International Group

Kidder Peabody International PLC

Merrill Lynch International Limited

Morgan Stanley & Co.

NIBSstrating Financial Markets

Trinkaus & Burkhardt

SNS bank Nederland N.V.

Westdeutsche Landesbank

UBS Limited

July

GT DEUTSCHLAND FUND

Société Anonyme
Registered office : 2, boulevard Royal, L-2953 Luxembourg
R.C. Luxembourg No. B 25023

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of GT DEUTSCHLAND FUND will be held at the offices of B Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, July 15, 1994 at 2.30 p.m. with the following agenda :

1. To consider and approve the Reports of the Board of Directors and of the Auditor;
2. To approve the Statement of Net Assets and the Statement of Operations as at March 31, 1993 and to allocate the net result;
3. To discharge the Board of Directors and the Auditor in respect of the performance of their duties for the year ended March 31, 1994;
4. To elect the Directors to serve until the next Annual General Meeting of Shareholders;
5. To elect as Auditor to serve until the next Annual General Meeting of Shareholders: Coopers & Lybrand S.C.;
6. To approve the payment of Director's fees;
7. Any other business;
8. Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to attend the meeting of July 15, 1994, the owners of bearer shares will have to deposit their shares five clear days before the meeting with the registered office of the company or Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

THE BOARD OF DIRECTORS

Bunnings valued well above suitor's offer

By Nick Taft in Sydney

Bunnings, the Western Australian supermarket chain, manufacturing and merchandising group facing a bid of more than A\$550m (US\$360.5m) from Wesfarmers, said yesterday Price Waterhouse, in an independent adviser, had valued its shares

between A\$11.82 and A\$13.51. This is much higher than the A\$10.40-a-share cash alternative being offered by the bidder, which already holds a 48.1 per cent interest in its target. Bunnings said its advisers had put the value of Wesfarmers' paper alternative at between A\$9.96 and A\$10.46 a share, and again urged shareholders to reject the current terms.

The conclusions of the independent expert support the committee's opinion that the

current share price is "adequate." Bunnings said.

Lawyers for Rank Commercial, the New Zealand supermarket bidding around A\$500m for Australia's Foodland Associated, told a court yesterday Price Waterhouse would drop the offer if the injunction sought by the Trade Practices Commission was granted.

Rank plans to sell Foodland's Australian assets on to Wesfarmers if successful with its bid.

The TPC, Australia's competition watchdog, has sought the injunction because of concerns over Coles' potential grip on the grocery market.

Shares in Dominion Mining fell 3 Australian cents, to 46 cents, yesterday, after the smaller Gold Mines of Australia said it was abandoning its takeover bid for the group.

By Emilio Torazono in Tokyo

Shares in Japan Tobacco are to be offered next month ahead of the group's listing on the Tokyo stock exchange in late October, Japan's ministry of finance announced yesterday.

The decision follows a two-year delay in the share offering due to the sluggish Tokyo market.

Japan's "broker's broker" operations are dominated by two Japanese companies, Japan Bond Trading and Nakadai Securities. The US firms will be the first foreign operators to move into the market.

The success of JT's listing is crucial to the share offerings of other state-owned companies waiting to be privatised, including the railway operators spin-off from the former Japan National Railway.

All of these securities having been sold, this announcement appears only as a matter of record.

June 1994

\$230,000,000

LIBERTY
PROPERTY TRUST

Liberty Property Limited Partnership**8% Exchangeable Subordinated Debentures Due 2001**

After July 1, 1994 the Debentures will be exchangeable at any time prior to maturity into common shares of beneficial interest at the initial public offering price per Share, subject to certain adjustments and limitations imposed on ownership of Shares in connection with the Company's election to qualify as a REIT.

**Kidder, Peabody & Co.
Incorporated**

A.G. Edwards & Sons, Inc.

Lehman Brothers

Prudential Securities Incorporated

The Robinson-Humphrey Company, Inc.

Wheat First Butcher Singer

All of these securities having been sold, this is only a matter of record.

June

20,987,500 Shares

LIBERTY

PROPERTY TRUST

Common Shares of Beneficial Interest**International Offering**
3,650,000 Shares

**Kidder, Peabody & Co.
International plc**

A.G. Edwards & Sons, Inc.

Lehman Brothers

Prudential-Bache Securities

The Robinson-Humphrey Company, Inc.

Wheat First Butcher Singer

United States Offering

17,337,500 Shares

Kidder, Peabody & Co.

A.G. Edwards & Sons, Inc.

Lehman Brothers

Prudential Securities Incorporated

The Robinson-Humphrey Company, Inc.

Wheat First Butcher Singer

Bear, Stearns & Co. Inc.

**Alex. Brown & Sons
Incorporated**

Dean Witter Reynolds Inc.

Goldman, Sachs & Co.

Morgan Stanley & Co.

Oppenheimer & Co., Inc.

Adwest, Inc.

J. C. Bradford & Co.

Smith Barney Inc.

Kemper Securities, Inc.

Ladenburg, Thalmann & Co. Inc.

**Legg Mason Wood Walker
Incorporated**

**McDonald & Company
Securities Inc.**

Morgan Keegan & Company, Inc.

**Tucker Anthony
Incorporated**

Branch, Cabell and Company

Bream Murray Foster Securities Inc.

Coburn & Meredith, Inc.

Craigie Incorporated

Doff & Co., Inc.

**Dominick & Dominick
Incorporated**

First Albany Corporation

Gruntal & Co., Incorporated</

INTERNATIONAL COMPANIES AND FINANCE

Toray Industries, Inc.
(formerly Toyo Rayon Keisha)

S.G.Warburg & Co Ltd announces that a dividend of Yen 350 per share has been paid to shareholders on the books of the above Company as at [REDACTED] March 1994 in respect of the six month period ended on that date.

Holders of Bearer Depository Receipts issued by S.G.Warburg & Co. Ltd. may present Coupon No.23 for payment also.

S.G.Warburg & Co. Ltd.
Paying Agency,
2 Finsbury Avenue,
London EC2M 2PA
Luxembourg

Banque Internationale
& Luxembourg
2 Boulevard Royal
Luxembourg

Payment will be subject to [REDACTED] of Japanese Income Tax and in the United Kingdom Tax (where applicable) at the appropriate rates. Details can be obtained from the Paying Agents.

7th July.

Thrifts in plan for \$1.1bn merger

By Martin Dickson
in New York

The two largest thrifts in the New York/Jersey region – Bancorp and Anchor Bancorp – yesterday announced plans for a public stock-swap merger. The deal, worth \$1.1 billion, will give them a 22 per cent stake in Cerveceria Mexicana.

The merger will form the fourth-largest publicly traded thrift in the US, with total assets of about \$30bn and deposits of nearly \$18bn. Members in Mexico will receive 1.77 shares of Dime for each of their shares, valuing Anchor at around \$1.1bn. At least 11 yesterday's Dime shares price, which dipped in morning trading to 82%, Anchor rose to 91%.

The US thrift industry – which had traditionally relied most of its deposits from insurance savings and supplied much of the residential mortgage market – is facing growing competition from last year.

Dime, with headquarters in New York City, had \$1.1bn in deposits and \$1.1bn in assets at the end of March. It opened 51 full-service branches in New York, New Jersey and Florida.

Both banks have moved from focus on the property segment of the late 1980s and early 1990s and the merged entity is expected to be classified as "well capitalised" under regulatory guidelines.

Mr Michael Parsons, chairman and chief executive of Dime Bancorp, will run the new holding company, while Mr James Large, chairman and chief executive of Anchor, will head Dime Savings.

By Bernard Simon in Toronto

John Labatt, the Canadian brewing and malt group, has joined Femsa, Mexico's beverage group, in a North American beer alliance.

It will give Labatt access to the fast-growing Mexican beer market, providing Femsa with marketing and distribution expertise to back up recent expansion in the market.

Labatt will initially pay

for a 22 per cent stake in

Cerveceria Mexicana.

Moztezuma, Femsa's wholly-owned brewing arm, it will have an option to acquire another 8 per cent over three years.

Femsa will retain a 51 per cent stake, and the remainder will be offered to Mexican and international investors in a public offering.

Labatt will nominate five of Femsa Cerveza's 18 directors, while Mr Juan Ruiz Hueso, mayor, Femsa chief executive, will join Labatt board. The deal is expected to be finalised by the end of September.

Labatt is best known in the UK for its popular Rolling Rock beer and in North America for its controlling stake in the Toronto Blue Jays baseball team.

The two companies, which are similar, will form a joint venture in the US to manufacture high-priced specialty beers, and plan a joint assault on other Latin American markets.

They raised the possibility yesterday of either spinning off a minority stake in the US company to the public or offer-

ing it to [REDACTED] foreign brewer eager to expand in the US market.

The Labatt-Femsa partnership undercuts the 1992 acquisition by Philip Morris, the US consumer goods group, of an 8 per cent equity stake in Femsa.

The investment was partly designed to lay a foundation for closer ties between Femsa Cerveza and Miller Brewing, a wholly-owned Philip Morris subsidiary.

Mr Ruiz said yesterday Femsa had considered an alliance with Miller, among oth-

ers, but that Labatt had proved to be the best fit to [REDACTED] [REDACTED] the shares, or sell the shares, or whatever," he said.

Femsa Cerveza, with projected 1994 sales of \$1.55bn, has a 48 per cent share of the Mexican beer market, down from more than 50 per cent a few years ago.

Labatt's investment is by far the largest of any Canadian company in Mexico since the implementation of the North American free trade agreement in January 1994.

Future will test wisdom of miner's gamble

Nikki Tait assesses Western Mining's A\$1bn link with Alcoa's bauxite/alumina business

A s one Melbourne-based mining analyst put it: "I'm still trying to decide whether we're positive or negative about this deal". He was speaking of Australia Western Mining Corporation's decision to buy into Alcoa's international bauxite/alumina-related operations at an effective cost of about A\$1bn.

"The problem," he explained, "is that there's a list of pluses, and a list of minuses."

WMC, one of the nation's largest mining companies, is altogether less equivocal. It says that the deal, made yesterday, is an important step in moving WMC from being a predominantly Australian company, to becoming a "global player".

It will also enable the company to expand and to diversify its core business and partly move it from raw commodity production towards proprietary products. It will also allow WMC to expand with a US partner it knows well.

The last element is incontrollable. In the 1990s, several Australian companies – including WMC – realised that bauxite deposits in the Darling Range in Western Australia could form the basis of an integrated aluminium business.

Alcoa, the US company, was brought in to provide industrial expertise and, in 1991,

of oversupply in the world aluminium industry – made an after-tax profit (before anomalies) of A\$389m last year; an increase of A\$130.5m over the previous period. Sales were A\$2.15bn.

These results, assisted by a decision to extend the Wagga Wagga Refinery, largely explained a sharp increase in WMC's own profits during the six months to end-December, the first half of its financial year.

The latest proposal is that WMC and Alcoa should put all their international bauxite, alumina and alumina-based chemicals division into one "enterprise".

The amalgam of businesses, made up of Alcoa of Australia

would be about A\$1bn, but this would not just comprise cash.

WMC would pass about 9 per cent of Alcoa to its fellow Australian partners, so that its current interest in Alcoa of Australia stands at 48.25 per cent.

Alcoa, the US parent, holds 51 per cent.

It has been a successful venture. Alcoa of Australia has become the world's largest alumina producer and – in spite

of a 55 per cent of the Suriname alumina refinery, plus a Suriname smelter and hydroelectric facility;

• 50 per cent in a Jamaican alumina refinery;

• 55 per cent of a refinery in Brazil;

• Alcoa Steamships;

• Alcoa's alumina-based chemicals division, which comprises 20 plants worldwide and generated revenues last year of

US\$660m to the US group.

WMC would also expect to contribute about US\$120m of working capital, on a short-term basis, to the new group. The deal would be completed by the end of 1994.

Although WMC's balance sheet is modestly geared, the mining company plans to raise A\$720m to help fund the transaction. That will be done via a one-for-eight rights issue at A\$5.50 a share.

The problem for some analysts yesterday was that WMC

would be about A\$1bn, but this would not just comprise cash.

WMC would pass about 9 per cent of Alcoa to its fellow Australian partners, so that its current interest in Alcoa of Australia stands at 48.25 per cent.

Alcoa, the US parent, holds 51 per cent.

It has been a successful venture. Alcoa of Australia has become the world's largest alumina producer and – in spite

"But that's the view," said Mr Chris Bain, senior research manager for ANZ McCaughran. "Everything depends on the growth outlook for the alumina business. You could argue that WMC is getting in on the ground-floor of the alumina-chemicals business"

WMC entered the deal dilutive at current alumina prices. In terms of 1994 earnings, the loss of 9 per cent of Alcoa of Australia's profits – which works out at US\$355m – would be exactly offset by the contribution of 40 per cent of the acquired businesses' earnings. However, the rights issue means that once the deal is completed there will be more WMC shares in issue.

Confronted by these analysts' anxieties, Mr Morris points out that it is the future which matters. The deal will give WMC more leverage in the alumina market, increasing its share of production capacity by one third to 1.5 million tonnes per annum or 10 per cent of world production.

The entry into alumina-based chemicals is "an important element" of the transaction. "It's a business with high growth rate, high margins," he says.

IS INTERNATIONAL INVESTMENT**ALL GREEK TO YOU?**

It needn't be.

Financial Times Magazines publish a monthly magazine specially written for the investor with a global perspective. We recognise the need for impartial investment advice - written by people who understand every aspect of overseas investment.

It's called *The International*.

And you don't have to be an economist to understand it.

FINANCIAL TIMES MAGAZINES

Please return to Kevin Phillips, The International, Grayskoke Place, Fetter Lane, London EC4A 1ND, UK

Yes, Please send me, FREE and without obligation, for one year, my monthly copy of <i>The International</i> , the overseas finance magazine from the Financial Times.	<input type="checkbox"/> 1 Proprietor/Self-Employed/Partner	<input type="checkbox"/> 3 35-44
	<input type="checkbox"/> 2 Employed	<input type="checkbox"/> 4 45-64
	<input type="checkbox"/> 3 Constant	<input type="checkbox"/> 5 65+
	<input type="checkbox"/> 4 Retired	
	<input type="checkbox"/> 5 Student/Unemployed	
	<input type="checkbox"/> 6 Financial Services	
	<input type="checkbox"/> 7 Construction	
	<input type="checkbox"/> 8 Other Services	
	<input type="checkbox"/> 9 Transport/Travel/Communications	
	<input type="checkbox"/> 10 Distribution/Hotels/Catering	
	<input type="checkbox"/> 11 Extraction (Oil/Gold/Mining)	
	<input type="checkbox"/> 12 Manufacturing/Engineering	
	<input type="checkbox"/> 13 Other (Please state)	
	<input type="checkbox"/> 14 None	
	<input type="checkbox"/> 15 Under 25	
	<input type="checkbox"/> 16 26-34	

DO YOU WANT TO KNOW A SECRET?

The D.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and contain your losses. How? That's the secret. Ring 081 479 0090 to book your FREE place.

With a wealth of editorial in every issue, it's the essential guide to the world of finance. And because *The International* is published by the Financial Times its pedigree is impeccable.

Already thousands of shrewd subscribers have realised *The International's* other great benefit: IT'S ABSOLUTELY FREE FOR ONE YEAR.

To join them simply complete the free subscription form below.

Or Bond Fax - FREE 2 week trial
also daily gold and silver taxes
Anne Whittle
081 733 7172
Fax 071 439 2946
100% Guaranteed

All of these securities having been sold, this advertisement appears as a matter of record only.

19,156,000 Shares

Santa Fe Pacific Gold Corporation

Common Stock
(par value [REDACTED] per share)

6,386,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International

Merrill Lynch International Limited

J.P. Morgan Securities Ltd.

UBS Limited

S.G. Warburg Securities

BMO Nesbitt Thomson Ltd

Swiss Bank Corporation

Burns Fry Limited

James Capel & Co.

Credit Lyonnais Securities

Deutsche Bank

Robert Fleming & Co. Limited

Gordon Capital Corporation

NatWest Securities Limited

Nomura International

12,770,000 Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.

Merrill Lynch & Co.

S.G. Warburg & Co. Inc.

CS First Boston

Harris Nesbitt Thomson Securities Inc.

Kemper Securities, Inc.

Lehman Brothers

J.P. Morgan Securities Inc.

Robertson, Stephens & Company

SBCI Swiss Bank Corporation

Salomon Brothers Inc.

Smith Barney Inc.

UBS Securities Inc.

Whitman First Butcher Singer

July [REDACTED]

كما من الأفضل



FINANCIAL IZVESTIA TALKS BUSINESS TO 300,000 INFLUENTIAL RUSSIANS EVERY THURSDAY.

Financial Izvestia is an 8-page weekly business newspaper produced by the Financial Times in partnership with Izvestia, Russia's leading independent daily.

Printed on the FT's distinctive pink paper, it accompanies Izvestia every Thursday.

Drawing on the huge editorial network of both newspapers, it brings up to the minute, accurate, national and international news to 300,000 decision makers in Russia. News from around the world that impacts upon the Russian market, making Financial Izvestia an essential and unique business tool for those shaping the new Russia.

To find out more about advertising to these influential people call Ruth Swanston at the Financial Times in London on 44 71 873 4263 (fax 44 71 873 3428), Stephen Dunbar-Johnson in New York on 1 212 752 4500, Dominic Good in Paris on 33 1 42 97 06 21, Sarah Pakenham-Walsh in Hong Kong on 852 868 2863.

FINANCIAL TIMES
LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

INTERNATIONAL CAPITAL MARKETS

Treasuries slip as traders await FOMC decision

By Patrick Harverson in New York and Michael Middelmann in London

Longer-dated US Treasury prices slipped in light volume yesterday morning as traders and investors stayed mostly in the sidelines while the Federal Reserve's market committee finished two-day trading.

By midday, the benchmark 30-year government bond was down 2 at \$145, yielding 7.04 per cent. The two-year note was unchanged at 99%, to yield 6.118 per cent. The early decline in prices was attributed to the modest weakening in the dollar during morning trading, to the growing perception on Wall Street yesterday that the FOMC would not take a meeting in its final session to support the ailing US currency.

GOVERNMENT BONDS

All economic numbers indicated the economy needed cooling further.

The most important data is out tomorrow when the June employment report is published. Nervousness ahead of the release of the jobs figures was partly in play yesterday's early gains and the overall lack of trading activity.

Most analysts believe that the Fed realises it would be the wrong signal to financial markets if it allowed the foreign exchange speculators who have been selling the dollar to dictate the direction of monetary policy. Traders and analysts believe the FOMC would only raise interest rates slightly higher on the back of short-covering in the futures market.

Investors remained sidelined as they awaited the outcome of the FOMC meeting, today's Bundesbank Council meeting, tomorrow's unemployment data and the weekend Group of Seven summit in Tokyo.

Bonds shrugged off the three-base-point increase in the Bundesbank's minimum securities repurchase rate of 10 per cent and the downward revision of May M1 money supply growth to an annual 4.1 per cent, from a provisional 4.3 per cent.

Although most market participants expect another cut in the Bundesbank's 4.5 per cent interest rate this year, they expect it not today. "Cutting again with M3 growth so much above target would damage credibility," said one trader. The Bundesbank's M3 growth target is 4 per cent to 5 per cent.

UK gilts ended a jittery session slightly lower in this volatile market as investors eyed the FOMC meeting. Trading was dominated by activity in the futures pits and dealers reported sporadic and tendless activity in the cash market.

Dealers shrugged off the D-Mark strength against sterling and the pressure on gilts, causing the UK market to underperform Germany.

French bonds ended the day slightly weaker, depressed by

the prospect of today's auction of FRF19bn-FR21bn in medium- and long-dated bonds.

Weakness in the French currency against the D-Mark reduced hopes that the Bank of France might follow the Bundesbank's latest rate cut with an easing move today.

Swedish yields rose slightly for the year, pressured by currency weakness as the krone fell to a low of 7.72.

After Tuesday's auction of government bonds had gone lower than expected, many of Tuesday's buyers were out yesterday.

"The auction was well received as the currency had weakened sharply and yields were down," said one got out opportunistic investors into the market, which were looking to make money quickly and get out," said Mr Jouni Kokko, international economist at S.G. Warburg Securities.

The yield on the nine-year Swedish bond closed at a new high at 10.73 per cent, a rise of 10 basis points from Tuesday.

Voluntary code on derivatives sought by SEC

By Patrick Harverson in New York

The US Securities and

Exchange Commission is hoping that a voluntary agreement among the Wall Street firms to accept closer regulation of their derivatives activities will head off Congress' attempt to impose tougher regulation of the \$1,000 billion derivatives market.

The SEC, a US financial markets watchdog, said yesterday that it had been in talks with the major derivatives dealers on Wall Street - CS First Boston, Goldman Sachs, Salomon Brothers, Merrill Lynch, Lehman Brothers and Morgan Stanley - about voluntary standards for several areas of the business.

The SEC hopes the firms will

settle some of the rules and nature of their derivatives business, and the amount of capital they need to support their derivatives trades.

The agency wants to know

more about the derivatives clients. It has become increasingly concerned that

some firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

unregulated or insurance companies or

other firms are largely

ntary code
rivatives
it by SEC

Lower interest boosts Taunton Cider to £20m

By Paul Taylor

Sharply lower interest rates helped Taunton Cider report a 15 per cent increase in full year pre-tax profits despite intense competition from low-price brands in the take-home cider market which held back both turnover and operating profits.

Taunton, which warned about the impact of the surge in brand value in March, reported pre-tax profits of £20.3m in the year to April 30, against £17.6m, on turnover marginally higher at £125.3m (£124.3m).

Interest payments fell from £2.68m to £68,000. Interest receipts slipped to £271,000 (£272,000) despite an increase in year-end net cash which increased over the year from £2.2m to £4.5m. Adjusting for the flotation in July 1992, pre-tax profits were 4 per cent higher at £20.3m (£124.3m).

Earnings per share were up 7 per cent to 13.1p (£12.2p) and the board is recommending a final dividend which makes a total of 5.5p (5p).

Operating profits increased by 1.52 per cent reflecting a

further increase in sales volumes and the continued strong performance of the group's leading brands which include the Dry Blackthorn, Autumn Gold and Diamond White brands.

In the on-trade, which accounts for about half the cider market, Taunton boosted both volume and market share. Total pub volumes grew by 8 per cent with growth in draught sales offsetting a



decline in packaged volumes.

The group also increased sales of both its own brands and retailer and economy brands in the take home market, but nevertheless lost market share with its brands showing a 4 per cent volume gain compared with market growth of 9 per cent.

Taunton believes economy brands have now peaked with about 10 per cent of the market. It hit back at the start of

the year cutting costs and hitting promotional spending.

As a result Mr Michael Cottrell, chairman, said: "Take home sales volumes in the last three months of the year were significantly up on the previous year and have strengthened strongly into the new financial year."

• COMMENT

Taunton has responded firmly, if a little tardily, to the threat posed by cut-price cider in the take home market. Promotional spending has been boosted by between £1m and £2m a year and is being used for cutting costs and boosting productivity. Over the next two years it believes it can cut costs by another £5m to offset margin pressure. However the years of strong domestic profit growth are probably over.

Reflecting this, Taunton recently signed a promising distribution deal with Molson in the US. In the meantime pre-tax profits should edge higher to about £20.7m this year, producing earnings of 13.3p. The shares gained 12p yesterday to close at 162p and look fairly priced.

How weird air provides the crunch

David Blackwell examines Ricardo's drive into the North American automotive market

shell itself.

A small engineering company in Detroit saved Kellogg millions of dollars on the cost of making cornflakes through computer studies of the airflow through the cereal ovens.

Mr Robert Nelson, one of the founders of Airflow Sciences, recalled the US multinationals' reaction to modifications that led to cornflake production at Battle Creek, Michigan, from 60lbs to 200lbs a minute. "They shut down public tours of the plant - they felt they would be giving away too much."

Airflow, which looks at fluid flow and heat transfer problems, was bought last March by Ricardo, the UK consulting engineers, for \$2.26m (£1.46m). Mr Christopher Ross, Ricardo chief executive, described it at the time as a company with few competitors, operating in a field that the group already understood and could manage.

This fits well with the group's recent direction, as well as enhancing its drive into North America - a market where it sees strong potential growth.

The North American automotive industry, which accounts for almost a third of turnover at Airflow Sciences, is returning to growth after deep recession. It is looking to improve what is known as the NVH (noise, vibration and harshness) performance of its vehicles.

The big US manufacturers, which were a long way behind the Japanese on NVH, are seeking out independent consultants rather than using in-house staff and equipment. They can then benefit from the breadth of knowledge that gets stored over the years. Mr Ross believes the group is now in a position to offer a service on everything to do with a vehicle apart from designing the body



Testing airflow on a flat backed helmet used by racing drivers

amount to be had. However, North America is a myopic market. The US motor industry likes to deal with people near home. "Our presence on the ground greatly increases their willingness to work with us," said Mr John Needham, acting president of Ricardo North America.

The test beds have been sited in Chicago rather than Detroit so that the group can tap into both the general market and the heavy duty engine plants of Iowa, Illinois, Wisconsin and Indiana, where engines are made for construction, agricultural and marine equipment and power generation.

Two test beds are now running, fully until the end of September. Ricardo is planning to have five running within the next five years.

The amount of data collected by the test bed computer in one minute of running a single engine is enough to fill 10 computer floppy discs. By the time

airflow over US racing drivers' crash helmets.

Three years ago, drivers in the cockpit Indianapolis cars found that they could not use full power as their heads were vibrating violently that they could not. Mr Robert Gielow, Airflow founder and president, ran some tests and suggested a tiny raised V should be built into the sides of the helmets.

That worked well, but since then the company has developed a flat back helmet that has dramatically reduced the sorts of lift which the airflow was putting on ordinary helmets at top speed. Initial resistance to the strange shape waned rapidly, and it is now used by many top names including Emerson Fittipaldi and Al Unser Jr.

The attraction of the company to Ricardo was its ability to apply computational fluid dynamics outside the automotive industry. It has done work to improve the flight of golf balls and the declassification of coffee, in the medical and cement industries, on the cold airflow inside refrigerated trailers and the drag outside, and on the airflow of the Channel Tunnel rail cars. But the main target is the US power industry, where legislation on emissions is helping to provide good business.

At one power station the computer's suggested placement of baffles in an exhaust flue reduced particulate emissions from more than 30 per cent to such a low level that observers thought their measuring equipment had broken.

"Just a little baffle - it seems so trivial," said Mr Nelson. "But the dramatic result, which would have taken years to find through trial and error, certainly justified his enduring belief that 'air is weird'."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Dividend pending	Total for year	Total last year
Seapak	5	Oct 6	6	10.2	10
Boggs	5	Oct 3	5	0.7	0.7
Border TV 5	2.4	-	2	4	3.3
Diablo	4.8	Oct 3	4.8	6.6	6.2
Dayley Jenkins	2.005	Oct 7	2.1	3.255	3.1
GEC	0.01	-	7.92	10.82	10.8
Northerner	0.8	-	0.8	0.8	0.8
Taunton Cider	3.95	-	3.8	6.8	6

Dividends shown per share net except where otherwise stated. On increased capital US\$1 stock. ♦On A shares

MPs condemn pay-out to former Severn Trent chief

By David Owen

Labour yesterday condemned a six-figure pay-out to the former chairman of one of the regional water companies and urged Ofwat to act to protect consumers from similar "excesses".

A total of 54 MPs headed by Mr Richard Burden, MP for Birmingham Northfield, used a parliamentary early day motion to attack "a half-million pound pay-off" to Mr John Bellak, former chairman of Severn Trent.

The payment came to light in the company's annual accounts, which showed that on top of his salary package of £280,500, Mr Bellak was paid £512,626 in compensation for

early retirement. This latter figure consisted of £604,559 for "early termination of his service contract" and £107,797 for future pension payments.

The motion deplored the pay-out before going on to note that during his term in office, Mr Bellak ruthlessly promoted the privatisation of the water industry despite evidence that the majority of the public he was supposed to serve opposed the sell-off; further notes that Mr Bellak's remuneration since privatisation was boosted by a series of salary rises and by share option deals while water prices soared and public accountability diminished.

The company claimed that the agreement with the BMW manufacturing group represented one of the first Anglo-Malaysian trade deals since the Kuala Lumpur joint venture company was formed in 1992.

Trinity Holdings, the UK's leading specialist vehicle manufacturer, yesterday signed a £2.5m joint venture deal to supply and build buses in Malaysia.

The company claimed that the agreement with the BMW manufacturing group represented one of the first Anglo-Malaysian trade deals since the Kuala Lumpur joint venture company was formed in 1992.

government imposed an embargo on offering government contracts to British companies last February.

Mr Geoff Hollyhead, chairman, said Trinity would retain 35 per cent of a joint venture company which aims to build 600 buses a year for the Malaysian market.

The buses will be assembled from kits supplied by Trinity subsidiaries - Dennis

Specialist Vehicles and Duple Metsec.

In addition to payments for the kits, the company will receive £700,000 annually in transfer technology fees for five years and share in the joint venture's profits.

Mr Hollyhead said total demand could exceed 30,000 vehicles.

A new plant will meet both local demand and serve markets elsewhere in the Asia-Pacific region.

IN THE WORLD'S LARGEST MARKETPLACE,
THERE ARE NO TIME ZONES.



Events that move the markets don't follow a clock, and they don't necessarily occur during regular trading hours.

But financial managers who use the CME interest rate, currency and stock index futures and options don't need to check a clock before trading. Because at the world's

largest marketplace, CME regular trading hours and GLOBEX® trading hours combine to provide a trading day that spans virtually 24 hours.

That means our highly successful stock index market is the first to open each day, offering the easiest opportunity to take or adjust a market position. It means the world's

CHICAGO MERCANTILE EXCHANGE®
The Exchange of Ideas™

GLOBEX® is a registered trademark.

THERE'S A HANGING EVERY MONTH

Great Art demands the greatest space; that's why on the first Saturday of each month the FT publishes a full colour Art section devoted to art and antiques.

The weekend FT is read by an estimated 1 million people in 160 countries, reaching affluent international investors and collectors; providing the Art world with exceptional and effective advertising opportunities. 37% of Saturday FT readers have bought paintings or antiques in the last two years (FT Reader Survey 1992).

For more information about advertising please contact:

Genevieve Marenghi (071)
873 3185

James Burton (071) 873 4577

THE FINANCIAL TIMES -
PUTTING THE COLOUR BACK
INTO ART

K-SHIPPINGFUND

An international mutual fund for investments in Shipping Equities

K-SHIPPING is an international mutual fund specialising in Norwegian and foreign listed shipping equities.

The purpose of the fund is to maximise return to investors as participant in an expected upturn in the shipping markets.

K-Shipping is managed by K-FONDENE AS, a wholly owned subsidiary of Christiania Bank.

For further information, please call
Carl Fredrik Mørken (47) 22 48 45 00

K-FONDENE AS

SUBSIDIARY OF CHRISTIANIA BANK

P.O. box 1166 Sentrum, N-107 Oslo, Norway

Telephone: (47) 22 48 45 00 Telefax: (47) 22 48 46 03

GT US SMALL COMPANIES FUND

Anonyme
Registered office : 2, boulevard Royal, L-2953 Luxembourg
R.C. Luxembourg No. B 25176

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of GT US SMALL COMPANIES FUND will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, July 15, 1994 at 4.00 p.m. with the following agenda :

- To consider and approve the Reports of the Board of Directors and of the Auditor;
- To approve the Statement of Net Assets and the Statement of Operations as at March 31, 1994 and to allocate the net results;
- To discharge the Board of Directors and the Auditor in respect of the performance of their duties for the year ended March 31, 1994;
- To elect the Directors to serve until the next Annual General Meeting of Shareholders;
- To elect as Auditor to serve until the next Annual General Meeting of Shareholders Coopers & Lybrand S.C.;
- To approve the payment of Director's fees;
- Any other business;
- Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to attend the meeting of July 15, 1994, the owners of bearer shares will have to deposit their shares five clear days before the meeting with the registered office of the company or with Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

THE BOARD OF DIRECTORS

COMPANY NEWS: UK

Poorly performing non-strategic companies likely to be sold

GEC moves on manufacturing

By Bernard Gray

GEC intends to rationalise its portfolio of general manufacturing companies to improve its profitability focus.

Poorly performing companies which are not part of GEC's strategic operations will be sold if their profitability cannot be improved.

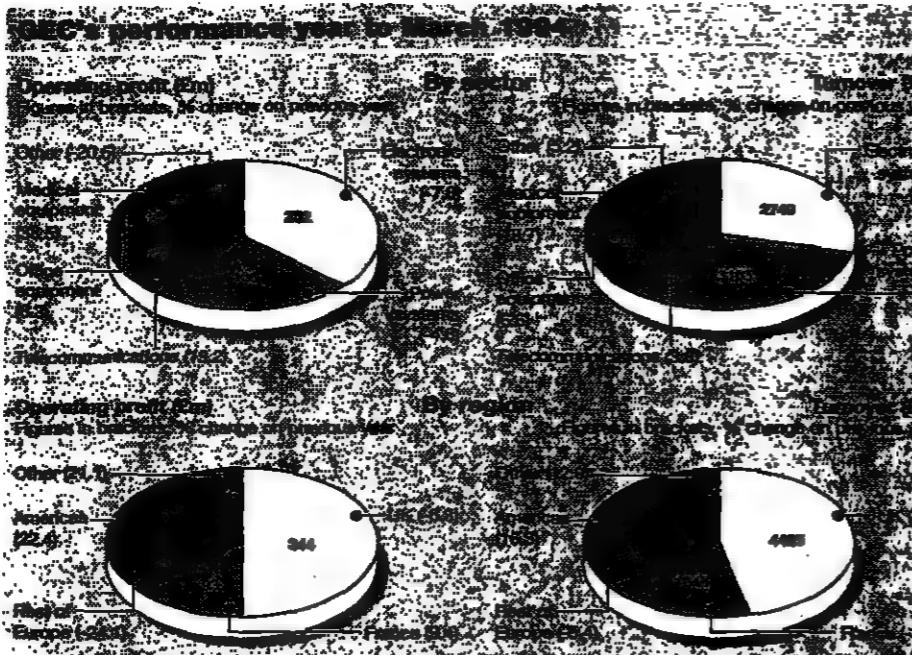
Lord Weinstock, GEC's managing director, said that in addition to its three core businesses of telecommunications, electronics systems and power systems, the company was setting up an industrial group to encompass the rest of its operations.

Some businesses within that, notably the petrol pump manufacturer Gilbarco and the ink-jet printer maker Videojet were doing extremely well and would be developed further.

Others would either have to improve their profitability or be sold. "It is not enough to be a me-too manufacturer any more. We have to be in those businesses where we have sufficient presence to make an acceptable return," he said.

The industrial group of businesses were responsible for some of the difficulties which led to profits being only slightly ahead of last year at £265m. However, the final dividend was increased to 8.0p (7.6p) making a total of 10.6p (10.3p) for the year.

There were some 570m below the company's own earlier expectations for a variety of reasons. A US-based semiconductor operation, GEC Semiconductors, reported a small loss, some £17m below GEC's budgeted level.



Restructuring charges cost \$5m in the power controls business and poor market conditions hurt the cables and weighing operations. Currency effects cost a further £10m.

Elsewhere, development costs of the inflight entertainment system, which is due to be supplied for the Boeing 777 aircraft, cost £20m more than anticipated. To avoid the possibility of the system being late more staff have been assigned to the project.

GEC's three main divisions, power systems saw operating profits fall by 22m to £15m, on sales of £2.1bn (£1.4bn), and profitability

was disturbed by pre-payments for power stations, which reduced operating profit but increased interest income. Pre-payments increased the GEC Alsthom's working capital by £211m to negative £65m. The joint venture achieved record results and margins improved to 7.6 per cent (7.1 per cent).

The electronics systems business, which includes the defence interests, saw operating profits fall to £252m (£271m) on sales of £2.75bn (£2.72bn). Order intake was below the previous year and the outstanding order book has fallen 7 per cent to £4.5bn. Margins were squeezed because

development costs are still at a high level on avionics systems for the Eurofighter 2000 and the Boeing 777, while deliveries have not yet started.

In telecommunications, GPT's operating profits rose 12 per cent to £120m even though turnover only increased marginally to £1.05bn. With business on the System X digital exchanges for BT running down, the division has had to switch to other business ranging from switching software, through the development of advanced telecoms transmission systems in co-operation with Siemens, to the manufacture of payphones.

NEWS DIGEST

Record year for Border Television

Border Television, Carlisle-based independent television company, reported record profits for the first full year under the new franchise arrangements with a 32 per cent increase in profit from £1.25m to £1.64m.

Turnover for the USM-quoted company fell to £2.97m (£2.11m) as a result of the loss of Channel Four airtime sales. Earnings per share came out at 12p (10.3p) and a proposed final dividend of 2.4p makes an increased total for the year of 4p (3.3p).

Mr Melvyn Bragg, chairman, said that in the second quarter of this year the company's share of ITV advertising had grown significantly and he

looked forward to a gradual improvement as the year progressed.

However the costs of setting up the two commercial radio stations in which the company involved, Central Scottish Radio and Radio North East, expected to have an impact on the year for year.

Surrey seeks £2.1m as losses reduce

Surrey Group, the bookmaker, is seeking £2.1m to cut gearing and for expansion. The USM-quoted company also announced reduced pre-tax losses for the year to March 31 of £232,000, compared with £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have been received to subscribe for 17.2m shares and the balance underwritten by Ellis

The reduced loss was achieved on turnover down from £1.25m to £1.15m as a result of the sale of 22 betting shops in early 1993.

TDG sells Unilink for £1.5m

Transport Development Group is selling Unilink Contract Hire, which is involved in the rental of vehicles and trailers, to Ryder for £1.5m cash.

In 1993 Unilink reported profits of £1.4m before tax and group finance charges and the assets being acquired are valued at £1.8m.

It is issuing 22.7m shares in a 1-for-2 rights issue and placing a further 8.8m shares, both at 14p. Its shares were unchanged yesterday at 14p.

Of the rights, commitments

have

Competing on a level playing field

British Vita has been lured into Poland by its low production costs, reports Christopher Bobinski

Western Poland, much of which was part of Germany before the second world war and retains excellent road, rail and canal links to the west, is rapidly becoming a preferred location for foreign investors.

Unusually, it has attracted a growing number of British industrial investors who, thus far, have generally been slow to invest in former communist central Europe.

Significantly, the attention of one of the latest British investors, British Vita, was attracted by executives at its German subsidiary.

If Mr Marek Krajcig, a mild-mannered Polish entrepreneur with a ready smile, hadn't turned up to buy blocks of foam for cash five years ago at Veenendaal, British Vita's German foam operation, the UK-based company might conceivably not now be the proud owner of a brand new polyurethane foam production facility at Brzeg Dolny in western Poland.

For him was Mr Krajcig's return visits, each time with a suitcase full of D-Marks, which attracted the attention of Mr Joachim Grunbaum, the managing director of Deutsche Vita.

Two years later, in December 1992, it was the establishment of Krajcig Mebel, a foam-cutting and marketing joint venture near to the Czech Republic and on the way to the former Soviet Union.

Mr Krajcig's success in selling the foam to Poland's furniture producers, both large state-owned companies and small producers, pointed Vita in the direction of building its own plant in Poland, duly opened last month.

"We saw that the furniture businesses we were supplying



Rod Sellers (right) opening the new foam production facility at Brzeg Dolny in western Poland

in Germany were moving their production to Poland and decided to go with them," says Mr Rod Sellers, British Vita's chief executive. "We also recognised Poland's relative political stability and prospects for growth as well as geographical location near to the Czech Republic and on the way to the former Soviet Union."

Others have followed this path. BOC owns a technical services facility next door to the Vita Polymers Poland plant at Brzeg, as part of its \$90m (225m) investment plan in Poland. Paterson Zacharias of Manchester has a Cussons Imperial Leather soap factory in nearby Wroclaw where Ced-

bury Schweppes is building a chocolate plant. Coca Cola has sited one of its main bottling plants at Sroda Silesia in the vicinity.

At Brzeg, Vita's 9,000 tonnes annual capacity foam fabricating plant is located just across the fence from the giant Rokita chemical works built during the second world war by IG Farbenindustrie to produce poison gas.

Now Rokita not only pipes energy and nitrogen to Vita Polymers, but also supplies polyol, one of the main raw materials for the foam. TDI, the other raw material, comes from Zaczem in Bydgoszcz in the

north, a plant which itself produces foam and is a direct competitor.

Mr Sellers cites the fact that the main raw materials for polyol are present in the country as another reason for taking the decision to invest. But Brzeg will also be looking to companies like Dow Chemical and Rhone Poulenc to provide one third of supplies.

For all the confidence about the future, British Vita has been very careful not to over-spend on the project which has cost \$2m to date, of which \$2m went on the construction of the 12,000 sq m plant. This is roughly 25 per cent of what a similar plant would have cost in the United King-

dom. The work was done by local contractors, with the machinery coming mainly from Berg in Norway. The small labour force of 30-40 firms will also be earning about one fifth of the wages of their European counterparts.

At the moment, however, all Vita's main competitors in Poland have already been beaten to a Polish market estimated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by 1996.

The work was done by

local contractors, with the

machinery coming mainly

from Berg in Norway.

The small labour force

of 30-40 firms will also

be earning about one fifth

of the wages of their

European counterparts.

At the moment, however,

all Vita's main competitors in

Poland have already been

beaten to a Polish market esti-

mated to be worth a

\$100m by

COMMODITIES AND AGRICULTURE

RSPCA puts its mark on humanely-produced food

By Deborah Hargreaves

Britain's Royal Society for the Prevention of Cruelty to Animals launched its "Freedom Food" label yesterday, which it hopes will encourage farmers to improve standards of animal welfare. The mark will be applied to eggs and pork where animals have been reared and treated according to guidelines laid down by the charity.

The RSPCA hailed the initiative as "allowing farmers to take the first step back from the factory to the farm." But the standards adopted were criticised by other animal welfare groups as being too lax.

For example, the RSPCA

does not specify that eggs must come only from free-range chickens, but that barn eggs are acceptable as long as the birds have enough space.

Mr Mike Sharp of Freedom Food argued that the guidelines were based on five years of research into welfare issues and adapted in a way that farmers would stick to. The organisation draws up a plan for each participating farm, tailoring the guidelines to each individual situation.

"It's the beginning of a revolution in farming practice by linking the good, caring farmer directly to the consumer," said Mr Sharp. So far he has signed up 200 large producers

Russia establishes domestic gold market

By Jill Barstow in Moscow

The Russian Government has formally established a domestic gold market through an executive resolution, the Economic newspaper *Kommersant* reported yesterday.

Officials from the State Committee of Precious Metals were

caught unaware that gold and silver would soon be freely traded in Russia. A government press officer confirmed the existence of the resolution, but said that it had not yet been distributed to relevant authorities.

Mr Mike Baxter, an animal

expert from Brunel university said: "Freedom Food's standards are the most comprehensive in existence and most rigorously derived from scientific experience."

Rubber pact talks will aim to break price deadlock

Key rubber producing and consuming states will meet in Kuala Lumpur next week to try to break a deadlock over a new price-stabilisation pact, delegates to the meeting said, reports Reuter from Singapore.

The rift over pricing blocked efforts to recognise the International Natural Rubber Agreement at the last UN-sponsored talks in Geneva in April.

Delegates said a high-level working group including the top three Asian producers would meet informally from July 12 to 14 ahead of another round of talks in Geneva. The group comprises Indonesia, Malaysia, Thailand and the top three consumers - Japan, the European Union and the US.

The dispute centres on the reference price, which guides market interventions by the buffer stock manager of the International Natural Rubber Organisation. Consumers want it held at or near the level at the end of the current accord. Producers want it raised, but have not said by how much.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Prices from Amalgamated Metal Trading

■ ALUMINIUM, 60.7 PURITY (\$ per tonne)

Close	8.50	8.50
Previous	1482.5-35.5	1482.5-35.5
High/low	1482.5-35.5	1482.5-35.5
AM Official	1482.5-35.5	1482.5-35.5
Mark close	1482.5-35.5	1482.5-35.5
Open Int.	288,000	288,000
Total daily turnover	44,507	44,507
■ ALUMINUM ALLOY (\$ per tonne)		
Close	581.50	581.50
Previous	581.50	581.50
High/low	581.50	581.50
AM Official	581.50	581.50
Mark close	581.50	581.50
Open Int.	41,200	41,200
Total daily turnover	7,200	7,200
■ LEAD (\$ per tonne)		
Close	616.40	616.40
Previous	616.40	616.40
High/low	616.40	616.40
AM Official	616.40	616.40
Mark close	616.40	616.40
Open Int.	61,000	61,000
Total daily turnover	11,400	11,400
■ TIN (\$ per tonne)		
Close	801.50	801.50
Previous	801.50	801.50
High/low	801.50	801.50
AM Official	801.50	801.50
Mark close	801.50	801.50
Open Int.	41,200	41,200
Total daily turnover	7,200	7,200
■ NICKEL (\$ per tonne)		
Close	616.40	616.40
Previous	616.40	616.40
High/low	616.40	616.40
AM Official	616.40	616.40
Mark close	616.40	616.40
Open Int.	61,000	61,000
Total daily turnover	11,400	11,400
■ CRUDE OIL NYMEX (\$ per barrel, \$/barrel)		
Latest Day's	17.74	17.74
price change	-0.17	-0.17
Low	17.65	17.65
High	17.80	17.80
AM	17.74	17.74
Close	17.74	17.74
High/low	17.74	17.74
AM Official	17.74	17.74
Mark close	17.74	17.74
Open Int.	15,051	15,051
Total daily turnover	5,165	5,165
■ ZINC, special high grade (\$ per tonne)		
Close	662.5-5.5	662.5-5.5
Previous	662.5-5.5	662.5-5.5
High/low	662.5-5.5	662.5-5.5
AM Official	662.5-5.5	662.5-5.5
Mark close	662.5-5.5	662.5-5.5
Open Int.	41,200	41,200
Total daily turnover	17,200	17,200
■ COPPER, Grade A (\$ per tonne)		
Close	2450.40	2450.40
Previous	2450.40	2450.40
High/low	2450.40	2450.40
AM Official	2450.40	2450.40
Mark close	2450.40	2450.40
Open Int.	222,475	222,475
Total daily turnover	61,300	61,300
■ LME COTTON/COTTON OIL (\$/tonne)		
LME/COTTON/COTTON OIL (\$/tonne)	1,345.00	1,345.00
Close	1,345.00	1,345.00
Previous	1,345.00	1,345.00
High/low	1,345.00	1,345.00
AM Official	1,345.00	1,345.00
Mark close	1,345.00	1,345.00
Open Int.	1,345.00	1,345.00
Total daily turnover	1,345.00	1,345.00
■ ENERGY		
■ CRUDE OIL NYMEX (\$ per barrel, \$/barrel)		
Latest Day's	17.74	17.74
price change	-0.17	-0.17
Low	17.65	17.65
High	17.80	17.80
AM	17.74	17.74
Close	17.74	17.74
High/low	17.74	17.74
AM Official	17.74	17.74
Mark close	17.74	17.74
Open Int.	106,257	106,257
Total daily turnover	17,200	17,200
■ COPPER, Grade A (\$ per tonne)		
Close	2450.40	2450.40
Previous	2450.40	2450.40
High/low	2450.40	2450.40
AM Official	2450.40	2450.40
Mark close	2450.40	2450.40
Open Int.	222,475	222,475
Total daily turnover	61,300	61,300
■ LME COTTON/COTTON OIL (\$/tonne)		
LME/COTTON/COTTON OIL (\$/tonne)	1,345.00	1,345.00
Close	1,345.00	1,345.00
Previous	1,345.00	1,345.00
High/low	1,345.00	1,345.00
AM Official	1,345.00	1,345.00
Mark close	1,345.00	1,345.00
Open Int.	1,345.00	1,345.00
Total daily turnover	1,345.00	1,345.00
■ HIGH GRADE COPPER (COMEX)		
Day's	Open	Open
Close	110.75	111.75
Change	-1.00	+0.00
High/low	111.75	110.75
AM	111.75	111.75
Close	111.75	111.75
High/low	111.75	111.75
AM	111.75	111.75
Close	110.75	110.75
High/low	110.75	110.75
AM	110.75	110.75
Close	109.75	109.75
High/low	109.75	109.75
AM	109.75	109.75
Close	108.75	108.75
High/low	108.75	108.75
AM	108.75	108.75
■ PRECIOUS METALS		
■ LONDON BULLION MARKET		
Prices supplied by N M Rothschild		
Gold (Troy oz)	\$ price	£ equiv.
Gold (Troy oz)	\$ 342.45-342.75	£ 21,000-21,025
Opening	342.45-342.75	21,000-21,025
Monday 8th	345.75	21,025
Atherton 8th	350.50	21,050
Day's High	348.50-349.75	21,025-21,050
Day's Low	342.50-343.75	20,950-21,025
Previous close	346.80-347.75	21,025-21,050
Last day's Gold Lending Rates (Vs US\$)	1 month	4.10
Last day's Gold Lending Rates (Vs US\$)	2 months	4.10
Last day's Gold Lending Rates (Vs US\$)	3 months	4.20
Silver Fix	US\$ equiv.	US\$ equiv.
Silver Fix	\$ 344.30	£ 21,755
3 months	345.30	21,800
6 months	345.25	21,825
1 year	346.65	21,910
Gold Caine	5 price	£ equiv.
Gold Caine	\$ 361.30	£ 22,255
Maple Leaf	\$ 362.20-363.05	22,255-22,350
New Sovereign	\$ 361.34	22,255
■ GOLD COMEX (100 Troy oz; \$/Troy oz)		
Day's	Open	Open
Close	342.45	342.75
Change	-0.05	-0.05
High/low	342.75	342.45
AM	342.45	342.75
Close	342.45	342.75
High/low	342.75	342.45
AM	342.45	342.75
Close	341.75	342.00
High/low	342.00	341.75
AM	341.75	342.00
Close	340.75	341.00
High/low	341.00	340.75
AM	340.75	341.00
Close	339.75	340.00
High/low	340.00	339.75
AM	339.75	340.00
■ NATURAL GAS NYMEX (1000 m³/mmbar; \$/mmbar)		
Day's	Open	Open
Close	2.130	2.130
Change	-0.01	-0.01
High/low	2.140	2.120
AM	2.130	2.130
Close	2.130	2.130
High/low	2.140	2.120
AM	2.130	2.130
Close	2.120	2.120
High/low	2.130	2.120
AM	2.120	2.120
Close	2.110	2.110
High/low	2.120	2.110
AM	2.110	2.110
Close	2.100	2.100
High/low	2.110	2.100
AM	2.100	2.100</td



ITALY

Thursday July 7 1994

In Naples tomorrow the Group of Seven summit will be hosted by a prime minister whose policy moves do not yet match his PR skills, writes Robert Graham

What Berlusconi needs to do now

Silvio Berlusconi, the media magnate turned politician, is partially full of good intentions.

He wants to reform Italy's cumbrous bureaucracy, place the state at the service of its citizens, and liberalise what is still one of Europe's most regulated economies.

He also wants to please. Among Italy's postwar prime ministers, he is the first to use opinion polls systematically, and he takes great trouble to discover what concerns the public. His decision to approach politics as if it were a marketing exercise played a large part in his remarkable electoral performance. Entering the arena only this January, he became prime minister four months later at the head of his Forza Italia movement.

Yet two months after taking office with his right-wing coalition, Mr Berlusconi's performance has been slow, indecisive and disappointing. Faced with an opposition which is split between the left and centre and still coming to terms with the Berlusconi phenomenon, the prime minister has been weak on policy and strong on public relations. His popularity is uncontested, with approval ratings of more than 70 per cent, and he received another clear endorsement from the month's elections for the European parliament.

People like his uncomplicated language, his engaging smile, his business success and the hint of showbiz in his style. The public at large seems to regard it as irrelevant that his brother Paolo has been arrested on corruption charges; that his Fininvest empire is scrutinised by Milan

magistrates; Mr Berlusconi was a prime beneficiary of the much-discredited system of parties that his new government is seeking to bury.

Outside Italy, Mr Berlusconi has yet to dispel considerable reservations both about the conflict of interest with his Fininvest business empire and the nature of his government.

No other European democracy has allowed a man who owned the second largest private business group with a virtual monopoly of commercial television to enter politics without first distancing himself from these business interests.

The provisions he has made in this respect are far from impartial. He still retains ownership of Fininvest and has merely appointed three lawyers, at least one of whom previous links to Fininvest, to draw up proposals by September on how to avoid a conflict of interest. Such conflicts are bound to arise when he is obliged to deal with a range of issues from the introduction of pension funds to telecommunications privatisation and the reorganisation of broadcasting.

Mr Berlusconi also minimised the negative impact of including in his government five ministers from the neo-fascist MSI/National Alliance. He did not want them as allies; but having failed to find supporters in the centre among the former Christian Democrats, Mr Berlusconi had to turn to the MSI, which is well-entrenched in the south.

The new premier gamely believes that through its inclusion in government, the MSI will be sucked towards the mainstream of politics. Mr Umberto Bossi, leader of the populist Northern League and the

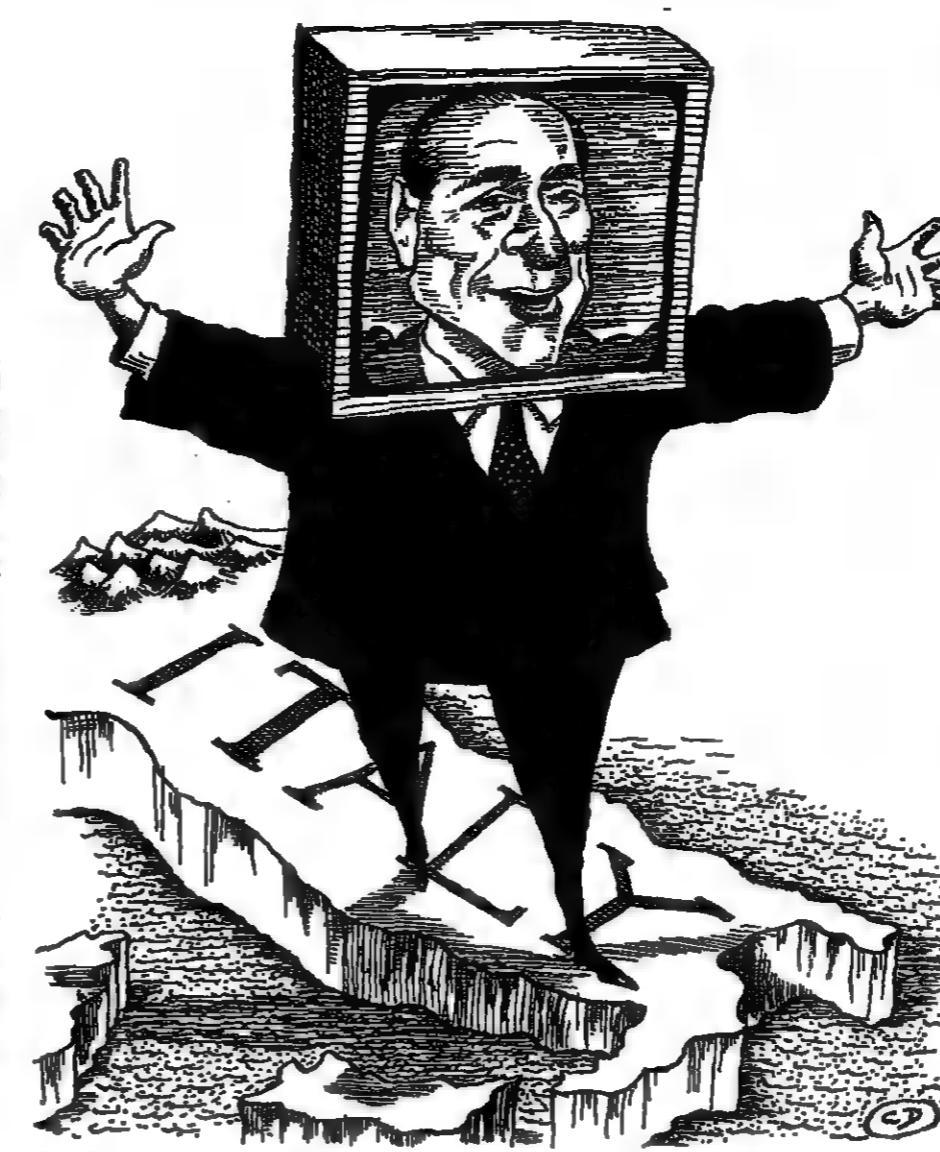
other main partner in government, shares that view, and already Mr Gianfranco Fini, the MSI leader, has distanced himself from the more ugly elements in his party, which has changed its name to the National Alliance.

Nevertheless, Mr Fini has done the government a serious disservice through a series of public declarations that show his admiration for Mussolini and much of what he stood for. This runs counter to the spirit of the postwar republic, which has tried to bury the Mussolini experience. For the time being, the MSI in government will limit Mr Berlusconi's ability to expand the base of his parliamentary support to groups in the centre.

It is worth stressing that the government coalition is unusually heterogeneous. Forza Italia is still no more than a Bellissima supporters' club run by former Fininvest employees claiming to be free marketeers; the League is federalist and rooted only in the industrialised north; the MSI calls itself "post-fascist", supporting a strong unitary state and continued state control of strategic economic activity.

In their different ways, each appeals to the large Italian middle class, which felt alienated from the discredited traditional parties and wanted a change. But there was no prior policy co-ordination between them. Indeed, though the League and the MSI never formed a proper electoral alliance, Mr Berlusconi made separate deals to support candidates with each of the two leaders.

Now they have agreed to work together in government, both the League and the



MSI risk losing their identities under the aura of Mr Berlusconi and the dominance of Forza Italia. Thus the League, in a vociferous manner, and the MSI more subtly, continually assert themselves, making the coalition inherently unstable.

Mr Bossi's party, which commands the largest number of deputies in the coalition, can play on the government's weakness in the senate where it lacks a clear majority. It would not be difficult to sabotage legislation there. Mr Berlusconi knows this and on several occasions has used the threat of fresh elections to keep the League in line. Mr Bossi will be loyal while he sees the government advancing down the road to federalism and so long as fresh elections appear against the League's best interests.

Sorting out a balance within the government and trying to establish new rules with an almost wholly new set of players has meant that the government has only just begun to function as a policy-making

body. The slow start has been compounded by poor co-ordination among ministers and a general lack of experience. Of the 28 ministers, all but two are novices, many both to government and parliament.

Co-ordination will be vital if the government is to manage the modernising agenda of modernising the state. Mr Berlusconi says he will embrace extensive privatisation, move towards a more federal structure of the state, reform the public administration, deregulate extensively, rework social

and overhaul the inefficient tax system.

So far, the most serious error has been the failure to communicate the right signals on economic policy to financial markets. Mr Berlusconi appeared over-anxious to ride on the benefits of having inherited an economy pulling out of recession and set to grow 3 per cent this year. His instincts have been to stimulate the economy and make good his campaign promise of creating 1m jobs to reduce the 11.5 million jobless figure. The measures have been in this formula - tax breaks on investment and new jobs, unfreezing public works contracts and in corruption scandals, ending a temporary ban on local government recruitment.

Laudable in themselves, these measures have raised fears about inflation and attracted attention from the public which was right of the previous Ciampi and Amato governments. With the public debt at more than 10 per cent of GDP and the mark of 11.5 billion equivalent to a staggering 30 per cent of GDP, the new government is in line with the rest of Europe.

It was not surprising, therefore, that the post-electoral euphoria of a business-friendly government should be wiped from the Milan bourse and the lira weaker at the first sign of bad news. This was last month's constitutional court decision obliging the government to pay £2,000bn in pension arrears.

The need to find this money, though probably not until next year, was a brutal reminder of just how little room for manoeuvre any Italian government has while the budget deficit is so large and the mountain of debt keeps rising. It was all the more important for the new government to give the right signals since the 1994 budget deficit is likely to be closer to £140,000bn than the projected £120,000bn due to overruns on social security spending and lower tax receipts.

The government can recover the confidence of the markets - providing a convincing outline of the 1995 budget is produced quickly. But the 1995 budget plans, set out this month, will be the litmus test of Mr Berlusconi's credibility. More than one. The budget will test whether he is willing to tough, cutting health and especially pension benefits.

His first task is to avoid confrontation. It is not a pleasure. But if Mr Berlusconi fails to reform Italy and usher in the Second Republic, it would be a pity if the opportunity is squandered in facile populism.

IN THIS SURVEY

THE ECONOMY

- Deficit tackled in the early stages of
- Stock market: households may move towards balanced portfolios of equities and bonds
- Focus turned on smaller

Page II

POLITICS

- Supporters' clubs score a victory
- Institutional reform: more power for regions

Page III

EUROPE

- This may be a turning point

TRADE UNIONS

- Demand is giving way to conciliation

PRIVATISATION

- Catalyst for change

Page IV

PENSIONS

- A jungle law must be

THE MAFIA

- Fears that new government may take a softer line

Page VI

Editorial production: Gabriel Bouman
Chris Thompson

dured quickly. But the 1995 budget plans, set out this month, will be the litmus test of Mr Berlusconi's credibility. More than one. The budget will test whether he is willing to tough, cutting health and especially pension benefits.

His first task is to avoid confrontation. It is not a pleasure. But if Mr Berlusconi fails to reform Italy and usher in the Second Republic, it would be a pity if the opportunity is squandered in facile populism.

Heading
for
Florence
?
Burst
the bubble.



Choose from two direct flights a day.

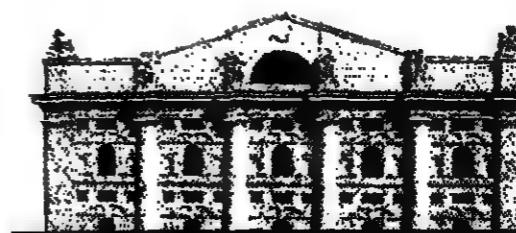
Admit it: flying to Florence, you've most likely taken in by other airlines, rigid schedules at airports, now there is a real choice. Because now there is a flight. With you non-stop heart of Florence, the that suit you better. On board: our exclusive Award Winning Electra Club, where you are personal

of attention. Your favorite newspaper, of Italian cuisine, much more a relaxing totally different style of travel, the way flying was meant to be. The Meridiana Style. You can also enjoy it on daily direct to Verona. For more details, please phone Meridiana on 071-839222.

From to departure arrival frequency
London ->Florence 09.55 13.10 123456
London ->Florence 19.40 21.00 123457
Florence ->London 09.15 12.55
->London 17.40 18.55 123457

Meridiana
Your Private Airline

The New Italian Stock Exchange: A New Reality, For Italy's Renewal.



instruments such as pension funds, closed-end funds, options and futures will increase investment opportunities. New and efficient protect the interests of investors have

been introduced, and institutional figures have been created, among which the Italian Stock Exchange Council (Consiglio di Borsa), the new representative and promotional body of the stockmarket, in Italy



Consiglio di Borsa

Please call Italian Exchange Council, Piazza degli Affari 6, 20123 Milan, Italy. Tel. (011) 724261, Fax (011) 7244333.

ITALY II

Andrew Hill looks at the politicians' promises

Focus is turned on smaller businesses

If Italy's myriad small and medium-sized enterprises (SMEs in the current Euro-jargon) had received L1,000 for every political promise or piece of paper received over the last six months, they would have amassed quite a tidy sum by now.

Candidates from right and left in Italy's March general election - many of whom were themselves small-scale entrepreneurs - held out promises of assistance to the SMEs and intended smaller businesses as the backbone of the Italian economy.

Mr Silvio Berlusconi, now prime minister, and his supporters handed around back-of-envelope figures suggesting that if one in four of Italy's small businesses were to employ just one extra person, his party's ambitious target of 1m new jobs could be met. Even President Bill Clinton, at the Detroit jobs summit this spring, alluded to the innovative drive of north Italian small business as an example for the world economy.

This emphasis on SMEs is nothing new. Indeed, Mr Berlusconi's focus on smaller businesses as a potential source of job-schoes ideas already broached by Mr Jacques Delors, the European Commission president, in the white paper on growth, competitiveness and employment, launched last year.

But this theme has a particular relevance to Italy because of the importance of small businesses in the economy. Based on 1981 census figures, Confindustria - the Italian employers' federation - estimates that businesses with turnover of less than L10bn represent 86 per cent of all industrial companies in Italy, while those with sales of over L100bn account for less than 1 per cent. Some 38 per cent of Italian companies have fewer than 100 employees, compared with 24.9 per cent in France, or 21.1 per cent in the UK.

As Confindustria's research unit pointed out in a recent report on SMEs*, the development of Italy's smaller businesses would benefit the whole economy, because they are sources of innovation and generally employ younger workers than larger companies.

In the 1970s, Italy's small business sector grew far more quickly than larger enterprises: the number of companies employing between 10 and 19 people, for example, increased by more than 70 per cent between 1971 and 1981, as did the number of people employed by such companies. But in the 1980s, growth stagnated. The number of busi-

nesses employing between 10 and 50 people grew slightly, but employment in larger companies slipped below the 1971 level.

Small entrepreneurs lay much of the blame at the door of previous Italian governments, which paid lip service to the promotion of SMEs, while bowing to the demands of much larger companies (and, in some cases, gradually accepting illicit party funding from the same enterprises). This was the period in which a bureaucracy concentrated, imposing a particular burden on smaller companies.

Entrepreneurs estimate that about 200 different taxes and

Every business, it is estimated, must pay about 200 different taxes and charges

charges have to be paid out by each individual business. The financial impact of this is bad enough, but the administrative burden is also hard to bear. For example, Mr Luigi Tessera Chiesa, managing director of Tepak, a small company making padded envelopes near Turin, reckons that of his 38 employees, two or three could switch to more productive work if they did not have to devote themselves to tackling red tape.

Mr Tessera Chiesa approves of one step that the government has already taken by cutting the taxation of reinvested profits for 1994 and 1995, a measure which he says will particularly benefit SMEs. "Large companies can't change their investment strategy to take advantage of the two-year window, but small and medium-sized companies can respond rapidly to the opportunities offered," he points out.

However, the bosses of SMEs are calling for further measures, in particular those aimed at encouraging alternative means of financing business growth.

At the moment, for example, small companies rely on bank financing. That means that at a certain point further expansion is hampered, because entrepreneurs do not want to add to debt already accumulated at higher than average rates. "Many companies refuse to invest because they are

SNAMPROGETTI
WHERE
CREATIVE
TECHNOLOGY
ADDRESSES
THE FUTURE

plants for oil refining, gas treatment, chemicals and fertilizers, offshore

With a background of more than thirty years of professional experience, SNAMPROGETTI is able to offer its clients highly qualified services and support covering a range from individual packages of integrated services up to complete turnkey projects.

The scope of these services for most projects includes technical and economic feasibility studies, conceptual design, project financing arrangements, commercial and technical management, basic and detailed engineering, procurement, construction, training of skilled workers and plant operators, plant start-up and operation, product marketing assistance.

SNAMPROGETTI - ENI Group
San Donato Milanese - Italy, London,
Geneva, New York, Houston, Moscow,
Caracas, New Delhi, Tehran, Riyadh,
Algiers, Karachi, Beijing.



Snampoggetti
READY FOR ANY CHALLENGE

The Italian economy is in the early stages of an export-led recovery which is expected to gather momentum in the second half of the year.

But domestic demand remains weak and much here depends on the government's economic management. The new administration has begun by seeking to encourage investment with tax breaks and to kick-start activity by unfreezing a large stock of public works contracts put on hold as a result of the corruption scandals of the past two years.

In contrast, it has been much slower in formulating policies to tackle the budget deficit and to the huge mountain of Italian debt, now equivalent to almost 120 per cent of GDP. However, the speed and success of the domestic recovery will be conditioned by the continuing need to hold down public spending and reduce the budget deficit, which is still over 10 per cent of GDP.

Also central to the management of the recovery will be tight control over inflation and

Temporary lay-offs and early retirement conceal the extent of unemployment

a continuing wage constraint. Inflation is now below 4 per cent on an annualised basis but is still marginally above projected levels.

All these factors will affect the market's confidence in policy and by the same token the level of interest rates. Italy's real interest rates remain high and Confindustria, the industrialists' confederation, insists there is scope for a further percentage point drop despite uncertainties in the international financial markets.

The economy began to pull out of the two-year-old recession in the final quarter of 1993. The growth trend, albeit modest, is now firmly established and should be around 1.5 per cent by the end of 1994 (against 0.7 per cent in 1993), rising to an annualised 3.5 per cent by 1995.

Domestic demand is projected to grow 0.8 per cent this year, rising to 1.5 per cent in 1995. However, the impact of external demand on the recovery should be more favourable than envisaged last autumn when the annual macroeconomic figures were prepared.

Despite the beginnings of a recovery, unemployment still continues to rise and is now over 11.8 per cent of the active

population. Since 1991, 1.3m jobs have been lost. The real figure is far higher because of the Italian practice of resorting to temporary lay-offs that can stretch over two years and more. Last year the number of hours covered by temporary lay-off payments increased 23 per cent.

Unemployment is also concealed by the use of early retirement, which is an extensive factor in the restructuring of the automotive industry, steel, defence industries, chemicals, shipbuilding and the railways. It is worth stressing the uneven geographical picture of

unemployment. In the industrial north, unemployment is on average below 7 per cent while in the south, where the public sector economy is still in recession, the level is 20 per cent and more in some places.

The job crisis has forced the unions to place employment above wage demands. This, coupled with an increased productivity drive, has helped to hold down wages and production costs. Since 1992 wages in most sectors have fallen in real terms. Last year average wages increased 3.1 per cent, a good percentage point below inflation. Meanwhile, unit labour

shift from Bots towards other forms of investment and in a way we encourage this movement, because families have been a strong presence on our Bot market, which made it very illiquid," says one treasury official.

This suggests a more sophisticated personal and professional investor is emerging in Italy, encouraged by reforms in the banking market. Banks have always been the main retail network for the purchase of government paper. They are now performing a role as outlets for privatisation issues, and for life insurance, pension and savings schemes. If that means that households move towards balanced portfolios of equities and bonds - either owned directly or through fund managers - then stock and bond markets could benefit equally.

Andrew Hill

THE STOCK MARKET

Equities for the family

ticia. The prospect that a single grouping, with a free market manifesto and a pro-business attitude, could win a decisive victory was bound to change up the market.

In the weeks that followed, the equity market continued to feed off such optimism, in spite of the fact that Mr Berlusconi took his time to form his government. In the first three months of the year, the Comit index rose 3.6 per cent to 69.52, but by the beginning of May it had surged to more than 300 before the end of 1993.

More shares were traded in Milan on some days during that period than on Wall Street, and on one occasion the exchange was unable to open for business because of the sheer weight of small orders it was having to process. The scheduled changeover to full on-screen trading had to be postponed by a day.

The significance of this unprecedented activity was twofold. It showed that small investors were increasingly drawn to equities - a form of investment which had generally been

spurned by Italian households in favour of government bonds - and it sent a strong signal to the new government that there would be trouble if expectations were not fulfilled.

In recent weeks, it has looked as though disillusionment is already creeping into the Italian equity markets. As this survey went to press, the government was wrestling with the consequences of a constitutional court ruling which could force payment of pensions to the tune of more than L100,000m. That has scared both equity and bond investors, and combined with a general slump in world markets to push the Comit index down to its pre-election level, although strengths still suggest that the long-term prospects for Italian shares are good.

But to be fair to the government, proposals have already been tabled which indicate the government's willingness to act on its campaign promises to bolster the stock market.

At the beginning of June, for example, the government agreed a decree which would harmonise withholding tax on shares at 13.5 per cent, the same level imposed on government bond interest payments. The effect was not so much to

reduce the overall tax liability of owning shares, but to simplify the system.

At the same time, and more importantly, the government agreed a series of measures to encourage more small companies to list their shares on the stock market, and thus improve the liquidity of the Milan borsa. Among the incentives was a proposed three-year reduction in tax for smaller companies coming to the market before the end of 1995.

On a wider scale, the government has committed itself to continuing the privatisation programme first launched by the Amato government two years ago. The recent sale of Ima, the state-owned insurer, and the future privatisation of Stet, the telecommunications holding company, Enel, the electricity generator, and Eni, the energy and chemicals group, should attract more attention to the stock market and further improve liquidity.

As Mr Attilio Ventura, the chairman of the Milan stock exchange, put it in a recent speech: "In Italy, more

than in other European countries, the success of the privatisation programme depends on the involvement of small savers, given the great weight of financial wealth held directly by households. Historically, most of the financial activity has been concentrated on bank deposits and government paper. Fewer than 10 per cent of Italian families hold shares - the lowest level among the industrialised countries."

But, as Mr Ventura's comments indicate, if demand for "state-owned equity" increases, it could be offset by a drop in demand for state debt. Treasury officials admit that it is a delicate balance. However, they point out that proceeds of privatisation issues are often used to cancel debt, so there is not necessarily a contradiction between the two aims.

In any case, reforms are also under way in the bond market. Foreign bondholders, for example, can now take advantage of a fast-track scheme for refunding withholding tax, which

under the cumbersome old system, could sometimes take up to 12 months to come through.

The Treasury is trying to

restructure its own portfolio of

debt, so that family shareholders are encouraged to take on

Deficit needs tackling

KEY FACTS

Area	301,000 sq km
Population	57 million
Prime minister	Silvio Berlusconi
Currency	Italian lira
Exchange rate	1992 = L1,232 1993 = L1,574

ECONOMY	1992	1993
Total GDP (lira)	962,036	955,304
Real GDP growth (%)	0.9	-0.7
Components of GDP (%)		
Private consumption	63.1	62.4
Total investment	19.4	16.9
Government consumption	17.8	17.9
Exports	18.2	21.4
Imports	-18.5	-18.6
Annual average % growth in		
Consumer prices (%)	5.3	4.2
Wholesale prices (%)	2.1	5.2
Hourly wage rates (%)	5.4	3.5
Industrial production (%)	0.0	-2.2
Unemployment rate (%)	11.5	10.4
Discount rate (%)	12.0	8.0
Total reserves minus gold (lira)	27.6	27.5
Narrow money growth (%)	6.7	4.3
Money growth (1992)	7.5	7.0
FT-A Index (% change)	-12.1	36.8
PSBR (% of GDP)	11.1	10.2
Public sector debt (% of GDP)	11.0	11.4
Current account (lira)	-25.4	10.8
Merchandise Exports (lira)	178.1	167.9
Merchandise Imports (lira)	-188.4	-147.2
Trade balance (lira)	-10.3	20.7
Main trading partners (%)		
Germany	20.4	21.5
France	14.8	14.5
US	7.0	5.2
UK	6.6	5.7
Spain	5.2	3.4
EC	57.8	58.8

(1) For families of workers & office employees. (2) All industry manual workers.

(3) 3rd period. (4) Period average. (5) Estimate.

Source: World Bank, ISTAT, Consob.

costs increased only 2.5 per cent. Wage restraint was particularly important among the 3.6m employees in the public sector and the resumption of talks with the government on pay increases in the autumn will be watched with great interest.

The government will try to hold down public sector wages as part of its efforts to control the public sector deficit. The deficit itself looks set to overshoot the 1994 budget projections of L144,000m and reach L160,000m, over 10 per cent of GDP. This is due to lower receipts as a result of the recession carried through from the previous year, plus the increased cost of social security benefits, particularly pensions. These developments will probably halve the projected size of the primary surplus (the balance of revenues and receipts less interest payments) to around L12,000m.

But the public accounts have been further complicated by a June decision of the constitutional court, ordering the government to pay arrears on certain types of pensions dating back to 1983. The cost of the decision has been put at L32,000m - the size of the spending cuts and extra revenue measures in the 1994 budget. Payment can only be delayed until 1996 and at present it looks as though the monies will have to be covered by a special tax.

As it is, the government will probably introduce a pre-summer mini-budget of L1,000m to hold the deficit to below L160,000m. At the same time, a further L35,000m to L40,000m will have to be found in 1995 just to keep the deficit at around 8.5 per cent of GDP, which is well above the EU average.

The government has little room for manoeuvre while the debt stock remains so high. Annual debt service is equivalent to the entire deficit and every percentage point fluctuation in interest rates either adds or subtracts L15,000m from the servicing bill. In the 12 months to March 1994, the debt stock increased 8 per cent. The total volume of debt is now expected to stabilise in 1995-96 at a maximum of 123-125 per cent of GDP.

Unless the new government takes decisive action to curb spending, little will be achieved. The prime target will be cuts in generous state pension benefits.

TENNESSEE OR ABROAD

The International Department

- Relocation/Investment Specialists
- Commercial
- Residential
- Financing Contacts
- Multilingual Capacity

FRED LITTLEFAIR-MOLIN
INTERNATIONAL SPECIALIST
Tel: USA 615-244-2828
Fax: USA 615-244-4557
700 18th Ave., South
Nashville,

**Robert Graham examines
a political transformation**

Supporters' clubs score a victory

The idea of a political movement calling itself football slogan would have been laughed out of court. But today almost one in three voters are supporters of Forza Italia (Come On Italy).

This movement was spawned in January by Mr Silvio Berlusconi — the man for the media magnate's political ambitions; and this is pretty much what it remains. Forza Italia has yet to define itself as anything other than a Berlusconi supporters' club run by former members of his Flinstone business empire.

Forza Italia then the harbinger of a new political phenomenon — a "light" party? Ideologically bland, it has moved where Mr Gianni Pilo, Mr Berlusconi's pollster, has identified the electoral preferences to be. The emphasis is shifting away from the interplay of parties to the satisfaction of voters' needs.

Forza Italia carries little baggage: its resources give it a lead over rivals

Compared to the traditional concept of Italian parties with their highly politicised and cumbersome party machines, Forza Italia carries little baggage. If the new premier sustains his popularity, Forza Italia could be the catalyst that welds together all the heterogeneous forces in the centre and on the right. Its financial backers, backed by Mr Berlusconi's fortune, give Forza Italia a lead over all its rivals.

The Forza Italia coalition will be one of the two future blocs that many observers see as the inevitable consequence of Italy adopting a first-past-the-post voting system. The other bloc will be a broad left or centre-left alliance. The process began in the March 27-28 general elections which were essentially between the "Freedom Alliance" of Forza Italia, the populist Northern League and the MSI-National Alliance on the one hand and the six-party Progressive Alliance on the left. The centre parties were squeezed.

If Mr Berlusconi's bid for political power had failed, Forza Italia would have probably disappeared as quickly as it arose. But the party picked up over 20 per cent of the vote and increased this to 30 per cent in the June elections for the European parliament. The addition of some 10 percentage points of the vote in less than two months is the single largest swing in Italy's post-history.

Until the March elections Italy was unique in western Europe for the near-absence of a floating vote and the electorate's loyalty to its chosen parties. For instance, the Christian Democrats and Italian Communist Party (PCI) consistently accounted for two-thirds of the vote until the 1987 general elections. The biggest swing experienced by the PCI was a 7 per cent increase in vote in 1976 (against 1972); while the most the Christian Democrat vote fell was 8 per cent in 1983 (against 1948).

Even today, on the left the old PCI vote has held steady in percentage terms at around 26 per cent. Three-quarters of the PCI vote has merely gone to its mainstream successor, the Party of the Democratic Left (PDS), and a quarter to the hardline Marxist rump, Reconstructed Communism.

The PDS has survived because the leadership realised the need after the collapse of the Berlin Wall to transform itself into a social democratic party. In contrast, the Christian Democrats and their allies in government were shattered by the impact of the corruption scandals that began to be unearthed in 1992. Their raison d'être had been to prevent the PCI coming to power and once this disappeared there was nothing to replace it.

The well-organised PDS was the first to understand that the new electoral system encouraged the formation of alliances. It formed a Progressive Alliance to fight the municipal election in June and November last year and did spectacularly well. In the League stronghold of Milan, the Progressives made a clean sweep of the cities. Before Mr Berlusconi entered politics in January, the PDS looked to walk away with the March general election.

Significantly, Mr Berlusconi moulded his campaign round the need to prevent the left coming to power. But his remarkably quick success

reform has been one of the most abused words in Italian politics. Much promised in every sphere of life, at best reforms have been timid and half completed. Usually, they have been still-born.

Yet Mr Silvio Berlusconi's government, more than any other postwar administration, has come to power with the promise of reform — from the tax system, pensions, health and the civil service to the very structure of the state.

There is little doubt about the new government's good intentions. The prime minister wants to make the state apparatus work better, be "citizen-friendly" and to reflect a more federal structure. His partners, the Northern League, have made "federalism" their battle cry, even if the concept remains ill-defined.

With an ample majority in the chamber of deputies, reform measures stand a good chance of passing through parliament without being水。 The main problem is establishing a set of priorities and co-ordinating policy within the government alliance.

Mr Berlusconi would like to proceed as rapidly as possible with a further overhaul of electoral reform. The changes introduced at the March elections showed that the August 1993 electoral reform measures were inadequate. They managed to combine both the best and worst of the old proportional representation laws and the first-past-the-post system.

In both houses 75 per cent of the seats were allocated under the first-past-the-post system. This was designed to encourage the formation of electoral alliances and promote a move towards a two-party or three-party system instead of the old 16-old parties that made up the previous legislature.

An age change for the senate is an obvious move. But a more fundamental shift, to 100 per cent majority voting, is also required. This would either be with a single round of voting or a second round run-off, as in France. Only with such a system would the electorate clearly vote for a government and a programme. At present voters are still asked to endorse a particular party or candidate rather than a programme.

The main tangible electoral reform is in the hectic activity of Mr Francesco Speroni, the bicycycling League minister for institutional reform. In the formation of the government, the portfolio was hotly contested by the League who wanted

one legislature. In contrast, the retention of proportional representation, willed by the bulk of the old parties as an insurance policy for their survival, led to precisely the opposite tendency. It encouraged the permanence of small parties which remained at least a few seats.

At the same time, the voting age of the senate was left unchanged from the minimum 25 years, unlike the minimum 18 years for the chamber. Italy is the sole European country that now discriminates by age for representation to the upper house.

The age difference produced a slightly different voter profile in March with mature voters still favouring the centre. As a result, the Berlusconi alliance failed to obtain an outright majority in the senate.

An age change for the senate is an obvious move. But a more fundamental shift, to 100 per cent majority voting, is also required. This would either be with a single round of voting or a second round run-off, as in France. Only with such a system would the electorate clearly vote for a government and a programme. At present voters are still asked to endorse a particular party or candidate rather than a programme.

The main tangible electoral reform is in the hectic activity of Mr Francesco Speroni, the bicycycling League minister for institutional reform. In the formation of the government, the portfolio was hotly contested by the League who wanted

■ INSTITUTIONAL REFORM

Speroni seeks power for regions

make this the first step towards greater devolution of power to the regions.

He would like to see a high degree of fiscal devolution to encourage better use of resources and more local initiative. Until now, local government has been funded by centralised hand-outs from Rome. These were poorly accounted for and permitted the local authorities to adopt a passive attitude to administration.

Mr Speroni insists greater fiscal devolution would not

break the principle of solidarity between regions. Richer regions would still be obliged to transfer part of their resources to the poorer. However, the latter would be placed under tight scrutiny as to how such monies are disbursed.

It remains to be seen how quickly Mr Berlusconi wishes to move down this path and where he will delineate the bounds of federalism. The neo-fascist MSI/National Alliance is uncomfortable about the League's federalist impulses and will endorse no measure that weakens the unitary state of Italy. The League itself has allies outside government, notably in the former communist Party of the Democratic Left (PDS), which favours greater devolution — not least

this would permit greater autonomy in the "red belt" of Emilia Romagna, Tuscany, Umbria, parts of Liguria and northern Lazio. The government also has its eye on reforming the legislature. It

increasingly absurd to see the two houses duplicate their powers as well as their activities in debates and committees. The attributes of the two houses need to be more complementary. Forza Italia's electoral programme proposed to transform the senate into more of a consultative and monitoring body, elected indirectly by regional councils, representatives of the provinces and municipalities. At the same time, the party pledged to increase the legislative authority of the lower house.

Another proposal oft repeated by Mr Berlusconi is to introduce a directly elected president and reduce his/her term from seven to five years. The president's limited powers would not be increased, rather he or she would have increased moral authority from a popular election. In contrast, Mr Berlusconi wants to increase the powers of the prime minister as the chief executive.

In all these various proposals, there is a clear move away from the former system that encouraged compromise and horse-trading to greater efficiency and transparency. But the inefficiencies of the old way of doing things were the result of a desire to provide checks and balances, and to avoid the concentration of too much power in one person's hands. There is now a danger of swinging the other way, with insufficient attention paid to providing checks and balances.

Robert Graham

THE FIGURES SPEAK FOR THEMSELVES.

(CONSOLIDATED BALANCE SHEET)

1992/93 - % CHANGE

Customer deposits

+ 8.0

Loans to customers

+ 8.7

Net profit

+ 23.5

Total assets

+ 13.2

Shareholders' equity

+ 3.2

The figures speak for themselves: 1993 was another successful year for the Ambrosiano Veneto Group. And if you read on, you can find out why. We continued opening new branches in Italy, bringing the total now to 500. And soon we shall be merging with a well known Sicilian bank.

Our range of products and services has been extended too. Thanks to support from the Group's specialist companies and collaboration with important business associations and a leading insurance company. Improvements in customer service

Parent Bank's figures as at 31st December 1993	
Customer deposits	15,000
Loans to customers	12,000
Net profit	103
Total assets	25,000
Shareholders' equity	1,200

(Exchange Rate £1/US\$ as at 31st December 1993 = 1,709.97)

have been achieved through restructuring and intense staff training. We're not just a home team either. Abroad, we've achieved very good results from our London branch and our Hong Kong and New York Representative Offices. While new cooperation agreements were struck with

leader banks in Germany and Portugal. Lastly, to wind up 1993, we decided to open an office in Beijing. We could go on, outlining our plans for 1994. But we'd rather let next year's figures do the talking for us.

Head Office: Milan,
Piazza Paolo Ferrari, 11
Tel.: (39-2) 85941

Banco
Ambrosiano Veneto

London branch: 73, Cornhill
Tel.: (44-71) 2207740
Representative Offices: Hong Kong, New York



ITALY'S LEADING PRIVATE BANK

Andrew Hill considers whether the country can pull its weight in the Community

This may be turning point on Europe

Mr Domenico Comino, Italy's new minister for Europe, is disarmingly frank about his country's image in the European Union: "Traditionally, we're considered the *truffatori* [traders] of the Community," he says.

As self-criticism goes, that may be a little harsh, and Mr Comino himself, not surprisingly, hopes to disprove it. However, Italy's reputation in Brussels is certainly lower than might be expected for a country which signed the Treaty of Rome and has since had an obsequiously pro-European line in its public policy statements.

Part of the problem has been the gap between theory and practice. As well as accusations of (mainly agricultural) fraud, Mr Comino identifies "a certain disengagement" on the part of previous ministers, and a perception that Italy signed up to laws without then enforcing them, as the main reasons for Italy's disproportionately weak political clout in the Union.

Whatever the reasons, while axes have proliferated between other member states, Italy has found itself all but frozen out by its biggest partners on important policy developments. In spite of being a neighbour of the former Yugoslavia, for example, Italy has taken a back seat in international diplomatic initiatives in the region, while its own proposals have mostly been politely ignored.

But paradoxically, the election of an Italian government more sceptical than any of its predecessors about the European ideal may mark a turning point in Italy's relationship with the EU.

The groundwork was laid by the preceding "technocratic" government, headed by Mr Giuliano Amato and then by Mr Carlo Azeglio Ciampi. They impressed Brussels with their manifest desire to clean up Italy's public finances and observe the economic criteria of the Maastricht treaty.

Being forced to withdraw from the European exchange rate mechanism in September 1992 was a blow, but three months later Mr Amato managed to persuade his EU partners to authorise an Ecu/bf balance of payments loan to Italy, partly to offset the loss of reserves used to support the lira during the exchange rate crisis. The conditions attached to this loan helped maintain the strong external discipline which Italy needs if it is to reduce its budget deficit and continue to follow the path laid out at Maastricht.

In this more positive climate, Mr Ciampi's government also managed to persuade the European Commission and EU industry ministers to approve a final package of subsidies for Iva, the loss-making state-owned steelmaker, on condition that capacity was cut and factories privatised. For the first time for many years it seemed as though Brussels was actually taking Italian promises seriously.

In the early months of the Berlusconi government, ministers have been trying to talk the same language, although they accept

On moves towards European monetary union, Italy is not yet "even in the picture"

Italy after years of disregarded laws framed by discredited lawmakers. "The political objective of Europe is fundamental for us," Mr Pagliarini adds. "If we look back, the best laws put in place in Italy were the laws based on EU legislation."

For federalist members of the new government, such as Mr Comino and Mr Pagliarini - both from the Northern League - fidelity to the European ideal also means giving more power to the regions. But they will have to bear in mind that overall policy is being laid out by more sceptical hands. At the helm of foreign policy is Mr Antonio Martino, son of Gastone Martino, the Christian Democrat foreign minister who signed the articles of the Treaty of Rome. Martino's son is a member of the Bruges Group, inspired by Thatcher's resistance to European integration, although he sees himself as a critic of previous Italian policy rather than an on-and-out

opponent of Europe.

This sceptical line could well put Italy at one end of a European policy axis, with Britain at the other. Evidence from the recent summit of EU leaders in Corfu, however, suggests that this will take time to evolve. Mr Silvio Berlusconi flew out ready to press for postponement of a decision on the successor to Mr Jacques Delors as Commission president. He breakfasted with Mr John Major, the British prime minister, after which both men expressed their satisfaction at being on the same free market wavelength. But in the debate on the Delors succession, Mr Berlusconi switched to backing Mr Jean-Luc Delanoë, the Belgian prime minister and Britain's *bête noire* - helping to isolate the UK.

As an elected rather than a technocratic government, members of the Berlusconi team may find it slightly more difficult than their predecessors to take a strictly purist line on certain issues.

For example, there were fears ahead of the Corfu summit that the meeting might be disrupted by a row over the way Italy

exceeds its EU milk production quota. In the event, the issue was overshadowed by the Delors succession, but Italy's insistence on a solution favourable to its farmers was reminiscent of the surprise decision by Mr Giulio Andreotti, then prime minister, to force milk quotas onto the agenda of the EU's 1982 Lisbon summit.

The new government might find its free market line similarly tested when it comes to lifting all quotas on imports from beyond the EU - particularly cars from Japan or leather goods from China. As Mr Berlusconi will be quick to find out, self-interest often rules at the Brussels negotiating table.

The most immediate challenge for the new government, however, is to combat the gut opposition of many of its European partners to the presence of the far right in the coalition. Mr Delanoë himself has already talked of the "extreme vigilance" needed when dealing with such a government, and certain EU ministers have publicly snubbed their "post-fascist" National Alliance counterparts at meetings.

One Italian minister points out: "You put the label on the bottle of wine when the wine-making is over, not when it's only just started." But it is already clear that Italy will only be able to pull its weight in European and international policy circles if it can dispel the residual fears of its partners quickly.

■ TRADE UNIONS

Conflict is giving way to conciliation

St Valentine's Day this year was the tenth anniversary of measures that reduced the monthly cost of living allowance by about L17,000. As well as hitting pay packets, the modification of the *sanzia mobile* (escalator) indexation mechanism in 1984 also fractured relations between Italy's three main trade unions: CGIL, CISL and UIL. It was the end of an era in which labour always seemed united, organised and ready for the frontline.

Flames of worker solidarity and trade union power now seem to flicker rather less brightly than in the 1960s and 1970s. Action is rarer, both in the workplace and on the streets. "Clashes at Fiat in the 1970s were the high point," says Mr Stefano Micossi, head of the research department at Confindustria, the industrialists' confederation. He notes, however, that difficulties in public sector labour relations peaked more recently, at the end of the 1980s.

As the present decade reaches its mid-point, there appear to be a different, easier climate.

"Attitudes at Confindustria have changed in several important respects. There has been a softening, and this has allowed us to discuss and do many things with the trade unions," claims Mr Micossi.

Mr Bruno Trentin, who has just retired as general secretary of the left-wing CGIL, notes that there is a desire to avoid conflict. But he seeks to deflect charges that his trade union has sold out. "There is confrontation, but it is well-behaved." And tensions still run high in some sectors. Mr Trentin reports difficulties in dealing with Confindustria's affiliated associations that represent small and medium-sized enterprises, Confapi, and construction companies, Ance, and also with the agricultural employers.

However, conflict has generally given way to conciliation. Mr Sergio D'Antoni, general secretary of the centre-right CISL trade union (linked to the former Christian Democrat party), talks about reaching understandings with employer organisations. "It is the best way of safeguarding interests," he affirms.

Last July's labour agreement, reached under Mr Ciampi's government, illustrates what the dialogue during the early 1990s has achieved.

First, the agreement contains a framework for incomes policy. Formal consultations between government, labour and employers are to be held twice a year, before economic policy measures are decided. Trade unions and employers have undertaken to act consistently with the objectives set as a result of the consultation.

Second, it lays down a new structure for collective bargaining, industry-wide contracts at national level and local negotiations having different timings, procedures and bargaining items. Trade union representation at company level has been redesigned and mechanisms introduced for cooling off disputes.

"This new system of industrial relations is very important," says Mr Micossi, who considers that labour's agreement is evidence of realism.

"Wage bargaining is much simplified, with only two negoti-

ating levels and a four-year contract period. National contracts are under negotiation this year and next, and local contracts will follow in 1998 and 1999," he explains.

Enthusiasm for last year's agreement is not one-sided. "It was a great step forward, establishing a single system across the board, including the public sector, and creating a new approach to trade union representation at plant level," says CGIL's Mr Trentin.

There are dangers that the new bargaining structure and the economic upturn now under way will cause inflationary wage settlements? With the complete abolition of the *sanzia mobile* mechanism in July 1982, wage indexation is no longer the inflationary element that caused damage in the past. Wage inflation, if it occurs, will arise from agreements at national and local levels.

Confindustria's Mr Micossi is optimistic. "Industrial relations are good and the trade unions are reasonable. We do not foresee an imminent return of wage inflation. There

Union membership (in millions)*					
Union	WORKING 1993	WORKING 1993	PENSIONERS 1993	PENSIONERS 1993	TOTAL 1993
CGIL	3.1	2.5	1.4	2.7	4.6
CISL	2.2	2.2	1.5	3.0	3.7
UIL	1.2	1.2	0.1	0.5	1.7

*Source CGIL

that equal work should be rewarded by equal pay," says Mr Trentin at CGIL.

With youth unemployment at a serious problem, one of the issues under discussion is starting wages. Mr Trentin says that the CGIL does not oppose differentials for young people, provided that their pay packets are adjusted when their skill levels and productivity reach those of older workers.

Another issue is the south, where unemployment is twice the national rate. One proposal to deal with this problem is a north-south differential (*gradi salariali* - wage ranges), with lower southern pay packets to encourage the creation of jobs. "It was tried before, and does not work," says Mr Trentin, who adds that differentials exist in practice as many employers in the south disregard national wage agreements.

Italy's high jobless figure has had an impact on trade union membership. The CGIL's working membership has fallen significantly: last year it was 1.8m against 3.6m in 1977 and 3.1m in 1983. Indeed, the number of pensioner CGIL members last year (2.7m) exceeded those in employment.

The other two confederate trade unions (CISL and the centre-left UIL) have also experienced ageing in their ranks, though not as marked as the CGIL. This party reflects corporatist consensus-seeking that is strong in the conservative and Catholic parts of Italy's trade union movement. "We must be involved in policy choices. This important role for trade unions is in the interests of those in work," says Mr D'Antoni.

Have Italy's trade unions lost their way or is the will to fight that they showed in the 1960s and 1970s? Certainly the situation is different from the time when Luciano Lama headed the CGIL and Mr Trentin led the heavy brigade of its engineering section, the *metallmeccanici*, with fraternal backing from CISL's and UIL's engineers. However, Mr D'Antoni believes the need for trade unionism and support for it from workers remain intact.

As the trade unions come to terms with a rapidly evolving economy and the radical changes in Italian politics, a major development is in sight for them. Ten years after the split on the *sanzia mobile*, the prospects of unification seem bright.

"CGIL's doubts and reservations have lessened considerably," says Mr D'Antoni. And CGIL wants to accelerate the unification process. "There has been great progress in relations, and there will be a joint congress of the three confederate trade unions at the end of this year. Next year offers prospects of unification," says Mr Trentin.

David Lane

ITALIAN TELECOMMUNICATIONS HAVE NO FRONTIERS

State offers independent solutions to foreign investors with regard to telecommunications, energy, infrastructure and services.

Italy's industry, finance, telecommunications, energy, infrastructure and services industry offers opportunities for foreign investors.

BUILDING THE WORLD OF TELECOMMUNICATIONS

SINTI S.p.A. • Via G.B. Pirelli, 20 - 20124 Milan (ITALY) • Tel. +39-2-6677777 • Fax +39-2-66772222

Andrew Hill

FT SURVEYS INFORMATION

For details of forthcoming FT surveys, call:

0891 446100

Calls charged at 59p/min cheap rate

and 45p/min at all other times

Overseas callers: 011 44 202 2001

In every country, some companies, more than others, express that country's culture.

It's what makes them unique. In Italy, it is names like Cirio and Polenghi.

Think about it.

Could these companies have been born in any other place?

Or from different people? The answer is no, and it's easy to see why.

In 1860, Francesco Cirio had the idea to protect tomatoes

in a safe and practical tin – he used the typical Italian creativity and flair appreciated all over the world.

Likewise, in 1870, Mr. Polenghi knew that a food as important and delicate as milk needed more selection at source and better protection during distribution.

He applied that Italian courage and sharpness of mind admired and envied by the rest of the

world. For over 130 years, these companies have never compromised their ideals about preserved food or given up

their love for the land and its produce. They have enjoyed a privileged relationship with agriculture since the very beginning.

Today a great project has been realised – the gathering together of all the companies and brands such as Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella and Torre in Pietra into one Group. Today, in 1994, the "Cirio" Group is born.

A Group that brings together the experience and resources, the traditions and innovative strengths, that are so intrinsically Italian.

A Group that shares a common industrial and production philosophy.

The "Cirio" Group benefits from a wealth of technology and employees with their sights set on the future. But at the heart of the "Cirio" Group is

a heritage tinted with those three important colours – the green of the fields, the white of the milk and the red of tomatoes.

Ritratto Italiano.



CIRIO
BIANCO, ROSSO E FUTURO.

The Cirio Group brands are: Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella, Torre in Pietra.

141610

Pensions are a fighting issue for Mr Sergio D'Antoni, general secretary of Italy's CISL trade union. He says, uncompromisingly, that the new regulations governing the country's state pension system that came into effect at the beginning of last year have put an end to the debate on pension reform. "More changes would be wholly unacceptable."

Yet, as the dire state of public finances makes news and attention focuses on the yawning hole in the accounts of the INPS (Istituto Nazionale della Previdenza Sociale) national pension fund, reform is being mentioned by many. The recent court decision that awarded increases in second pensions, to lift them to minimum levels, ~~highlighted~~ the awesome scale of pension provision and the awful condition of INPS' accounts. The cost of the court decision, which includes payment arrears from 1983, has been estimated at L32,500bn.

The changes introduced by the Amato government, after decades of procrastination, now seem too little and too late. Until 1982 no government had been willing to tackle the spiny pension issue and risk disfavour with the electorate. Whether or not Mr D'Antoni wants the debate reopened, this has happened, and proposals for further changes are being discussed.

Gradualism is a feature of the Amato reform, which tried to ease the pain of extending retirement age by introducing the change over 10 years. The age for old age pensions was raised from 55 to 60 for women, and from 60 to 65 for men, in yearly steps every two years. The measure will thus only become fully effective at the beginning of 2002. Similarly, a gradual process lifts the number of years of pension fund contributions necessary to qualify for an age pension from 15 to 20 years.

The Mafia's language is traditionally allusive. No self-respecting Mafioso will directly threaten you with death. Instead, he will graciously inquire about your health.

This makes Mafia watching rather like old-style Kremlin watching - a question of interpreting subtle signs and signals. Similarly, any government's pronouncements or decisions on matters pertaining to the Mafia are immediately scrutinised and interpreted to gauge the current level of determination to fight organised crime.

Clearly, Mafiology is no more an exact science than was Kremlinology. All the same, fears among Mafia watchers that the Berlusconi government is about to throw the two-year-old successful offensive into reverse gear could be justified. Some damage has already been done.

If most of the top bosses of the Mafia, the Neapolitan Camorra and the Calabrian 'ndrangheta are today behind bars, and if police were last year able to sequester a record L1.5 trillion worth of Mafia property, that is largely due to the fact that, since 1982, more than 700 Mafiosi have been induced to come forward as government witnesses.

This, in turn, is largely the consequence of legislation passed following the Palermo assassinations of Judges Giovanni



Sergio D'Antoni: "generational solidarity"

The reform failed to address two matters that many consider critical. One is public sector pensions which, although not handled by INPS, are nevertheless a burden on public finances. Civil servants and local government officials can enjoy the pleasures of retirement after less than 30 years of employment. "It is a jungle," says Mr Bruno Trentin, the recently retired general secretary of the leftwing CGIL trade union. He considers that reform should first tackle public sector pensions.

The other is the seniority pension (*pensione di anzianità*) which allows employ-

ees to retire on pension after 35 years of contributions to INPS. Clearly, any man or woman who started work at the age of 20 and has paid contributions continuously since then may retire at 55.

"Italy must eliminate the seniority pension," says Mr Giovanni Palladino, head of the financial analysis division at Confindustria, the industrialists' confederation. He is raising the 35-year requirement to at least 42 years immediately, and believes that this will be done when the Amato government's pension reform is modified. "There will be a tremendous uproar from the trade unions. But they should understand that the system must be changed for it to become viable and not destroyed," says Mr Palladino.

Demographic factors are contributing to the erosion of INPS' viability. People retire earlier and are living longer. Figures from INPS show that the employees' fund has about 11.7m working contributors, while there are about 5.1m pensioners plus a further 2.7m dependents of deceased pensioners. In addition, there are 2.2m invalids drawing pensions from the employees' fund.

INPS is a pay-as-you-go scheme, with contributions from active workers being used to fund current pensions. Every worker is therefore funding one pension being paid. Mr D'Antoni at CISL describes this as "generational solidarity".

The call of solidarity is rather strong among Italian shopkeepers, of whom 1.7m

are presently paying contributions. They support 0.4m pensioners, 0.2m dependents of deceased pensioners and 0.2m invalids. However, the situation is very different for Italy's 0.9m active agricultural workers. They and other INPS contributors support 0.7m pensioners, 0.4m dependents of pensioners and 0.9m invalids.

Generational solidarity is one feature of Italy's state pension scheme. Another is sectoral solidarity. INPS points out that funds generated by employees' contributions created substantial reserves in the 1980s. These were diverted to pay pensions to the self-employed - shopkeepers, tradesmen and agricultural smallholders - and to win their votes. These categories have contributed little but received a lot.

INPS has also been called to pay for social policy measures decided by government. Instead of operating solely as the pension fund for which it was established, successive governments, with the consent of the trade unions which ran INPS until last year, used it as a social safety absorber. Since the economic crisis of the 1970s, it has paid for early retirement programmes and unemployment pay, and has used its contributions to encourage employment in depressed areas.

INPS says that it disbursed L70,500bn last year in social assistance. Of this L25,000bn was paid to bring small pensions up to the minimum, L13,000bn to cover the deficit on agricultural workers' pensions, L8,000bn for subsidised reduced



Bruno Trentin: "the system may collapse"

contributions, L8,000bn for reduced contributions for domestic workers, apprentices and trainees, L5,000bn for unemployment benefits, L5,000bn for pensions to the elderly without pensions, L3,500bn for early retirement and L2,000bn for pensioners.

Required to range way beyond simply managing the funds of active workers to pay pensions to those who have been contributors, according to what they have paid in, INPS has serious problems in balancing its books. This year it expects to disburse L25,973bn, while receiving

L178,823bn. The cash shortfall of L72,150bn is about one half of the PSBR, will be covered by transfers from the treasury.

With such figures making headlines in Italian newspapers, it is not surprising that the crash or collapse of INPS is being predicted and that there are calls for tough measures to correct the situation.

In addition to making immediate changes to qualifying ages for old age and seniority pensions, another modification under consideration concerns the yield for calculating pension amounts. At present, this is 2 per cent of average annual wage in the final five years of employment, per year of contribution, giving 70 per cent for those with 35 years of contributions.

Though the Amato reform introduced the number of years taken into account for the calculations, it has not touched the yield, which is generally thought to be Confindustria's Mr Palladino considers that such a move would be devastating.

Generational solidarity is being stretched as many middle-age employees wonder how much of the 27 per cent of their annual remuneration, paid to INPS pension contributions, they will eventually enjoy.

Yet if the government wants to show that it is serious about putting public sector accounts in order, it is difficult for it to avoid tackling this tough problem. Another round of pension reform will not be a vote winner at home, but it would win respect in international markets.

Some trade unionists are not blind to the need for action. "The system is unsustainable. Unless something is done, it will collapse by the year 2000," predicts CGIL's Mr Trentin.

supreme Mafia boss, has spoken out against the jail conditions which he and his associates have endured. In other words, a hypothetical Mafia lobby might justifiably view today's controversies as a considerable success.

Why is the debate about informers taking place at all? According to Prof Arlacchi, it is being orchestrated by corrupt politicians and members of the judiciary who have the most to fear from the informers' revelations.

All that changed after the judges were

tough regulations were introduced. The Mafiosi were all despatched to the island prisons of Pianosa and l'Asimara, to be cut off from the outside world.

"This proved a serious blow," says Prof Arlacchi. "The Mafia bosses saw their prestige crumble. The myth of their impunity was shattered. But now I see a serious threat to the very edifice that we've constructed against the Mafia over the last few years."

Investigators have repeatedly warned

that the Mafia would try to find ways of discrediting their former colleagues-turned-informers, while Mr Toto Rina, the

David Lane on the prospects for further pension reforms

A jungle that must be cleared

Christopher Matthews assesses signs of a change in government attitudes

Fears grow of softer line on Mafia

Falcone and Paolo Borsellino, which gave the mobsters a number of incentives to collaborate with justice.

Yet a revision of that law was one of the first reforms suggested by Mr Alfredo Biondi, the new justice minister. Getting Mafiosi to step forward and grasp on for ever ~~should~~ was not enough, he argued. There should be built-in ~~guards~~ to ensure that they were telling the truth.

Just what the minister had in mind was not spelt out in detail, though the idea is to be ~~new~~ collaborators should be obliged to state from the outset exactly what information they had to "sell" to avoid subsequent corrections or "instalment plan" revelations. Another suggestion Mr Biondi made was that Mafia witnesses should be placed under the protection of a specialist agency to be created on the lines of the US marshals'. It hinges, too, on whether the latter are set

clear that no new legislation is in the offing, the impression left is that:

a) Mafia justice collaborators are to be considered a suspect category.

b) Magistrates, who at present enjoy complete autonomy in "controlling" Mafia informers, risk seeing their role restricted.

According to Mr Pino Arlacchi, professor of sociology at Florence University and a leading expert on the Mafia: "The debate on whether collaborators can be trusted or not is useless and counter-productive. Magistrates should be capable of telling the difference between lies and the truth without being told how to."

Whether or not they are, it is clear that breaking down the wall of *omertà*, the code of silence that for long kept the Mafia one of the world's most successful secret societies, depends largely on the personal alchemy that develops between individual magistrates and Mafiosi. It

isified that they and their families can be effectively protected.

Mr Tommaso Buscetta, the first Mafia boss to turn informer, kept his mouth shut until he met Giovanni Falcone, though Brazilian police had torn out his toenails and threatened to throw him from a helicopter in which he was travelling.

Prof Arlacchi, himself under sentence of death from the Mafia, says that the debate on the handling of informers represents a serious ~~problem~~ in the ~~mob~~ mob.

Many informers, ~~in~~ notes, have

already begun to dry up.

Equally damaging, he says, is the current controversy regarding the conditions under which Mafiosi are being detained. These have been dubbed "inhumane" by the president of the Chamber of Deputies' permanent committee on justice.

Until two years ago, many Mafia bosses served their jail terms in extremely permissive conditions. They had access to

cellular telephones, with which they could import orders to their henchmen outside the prison walls, virtually limitless visits, and deferential treatment from prison guards and authorities. Many, on the strength of medical certificates, enjoyed the comfort of private clinics.

All that changed after the judges were

tough regulations were introduced. The Mafiosi were all despatched to the island prisons of Pianosa and l'Asimara, to be cut off from the outside world.

"This proved a serious blow," says Prof Arlacchi. "The Mafia bosses saw their prestige crumble. The myth of their impunity was shattered. But now I see a serious threat to the very edifice that we've constructed against the Mafia over the last few years."

Investigators have repeatedly warned

that the Mafia would try to find ways of discrediting their former colleagues-turned-informers, while Mr Toto Rina, the



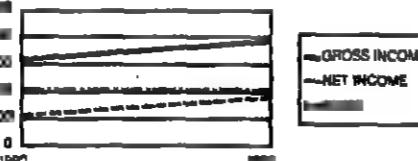
CREDITO PER LE IMPRESE E LE OPERE PUBBLICHE S.p.A.

1993 BALANCE SHEET

33% INCREASE IN OPERATING PROFIT AND CONSOLIDATION OF NET ASSETS

During 1993, even with the general slowdown in the economy, CREDIOP, the SAN PAOLO Group bank specialised in lending to companies and public works and in merchant banking activities, significantly consolidated its position in the market.

SYNTHESIS OF PROFIT AND LOSS STATEMENT (in billions of lire and millions of dollars)				
	1993 LIT	1992 USD	1992 LIT	%
Operating profit	633.1	397.3	474.4	+33.4%
Gross income	384.4	241.3	308.6	+24.5%
Income tax	(183.2)	(115.0)	(111.7)	+64.0%
Net income	201.2	126.3	196.9	+2.1%



The policy of strengthening the company's capital base has continued. Net ~~share~~ as calculated according to the guidelines by Banca d'Italia, after the distribution of earnings, now amount to a total of 3,053 billion lire, a considerable ~~increase~~ compared to the figure for the previous year; the capital adequacy ratio - calculated as the ratio of net assets and risk-weighted assets - is 16.9%, more than double the required ~~ratio~~ pursuant to present regulation.

As far as loans are concerned, in 1993 CREDIOP's ~~share~~ share compared to the Italian banking system ~~had~~ an increase with respect to 1992. At the same time the ratio between non performing and total loans continues to be within extremely limited ~~limits~~ and well below the average of the Italian banking system (5.5% in 1992, 4.5% in 1993).

These amounts were calculated using the exchange rate prevailing on 29.4.1994, the date of the Shareholders' Meeting which approved the ~~share~~.

GRUPPO BANCARIO SAN PAOLO

	1993	1992
CREDIOP's share VS. COMPETITORS	3.63%	3.77%
RATIO NON PERFORMING - TOTAL LOANS	1.2%	0.9%

BANCO di NAPOLI
In 1993, at Banco di Napoli we continued to keep our promises

We opened the ~~branch~~ branch in Italy, to

bliss closer ~~with~~ with you. We opened a

Representative Office in Seoul, to provide you

with further support in the financial markets,

worldwide. We acquired Isveimer, which,

added to the medium and long term financial

services offered by the Bank, will help to boost

the range of available facilities. All this is in

addition to the increasing "solidity" of

the Bank's balance sheet. With results such as

those of 1993, we shall maintain, in 1994,

closer contacts with you than ever before.

FINANCIAL RESULTS FOR 1993

Corporate growth figures (in billions of Italian Lire)

455th financial year

Total assets	108,226

<tbl_r cells="2" ix

MARKET REPORT

Shares give ground again on currency worriesBy Terry Byford,
UK Stock Market Editor

Nervousness regarding progress at the Federal Open Market Committee meeting increased yesterday and UK shares turned down smartly in mid-afternoon. Trading volume remained light, however, and equities closed above the day's lows.

The second half of the session was dominated by the dollar and the US Federal bond markets, both of which turned lower as New York absorbed strongly worded comments from the German economics minister. Markets grew fearful that the Fed might either take no action on rates or raise them by as much as ½ percentage point. Either course would threaten problems for currency and bond markets.

The FTSE 100 Index

down at 2,346.7. Around 4 points of the Footsie fell reflected the heavy setback in GEC, which was among the actively traded shares after severely disappointing City analysis with virtually unchanged profits. A market now looking for growth of around 6 per cent overall in UK corporate earnings this year is no longer prepared to be forgiving of slow progress, even when accompanied by a cash mountain, as is the case with GEC.

The reaction to GEC's figures helped to upset equities in early trading. However, news that UK manufacturing output had grown by 0.3 per cent in May, and industrial output by 0.1 per cent, was favourably received, as was the UK Treasury monthly report which said that economic indicators signal steady economic recovery. The mar-

ket was also helped by a trading programme, said to be from NatWest Securities, investment arm of the UK investment bank. A second programme was later identified, with Smith New Court believed to be the house responsible.

Weakness in sterling against the German D-mark was a discouraging factor at first for UK blue chip exporting stocks, although domestic

concerns remained

more closely focused around the dollar's progress.

The fall in the US currency as New York opened brought a rash of red on to trading screens in the London equity market. The earlier low point for the day was quickly lost as investors stayed away, but nerves steadied as the dollar picked itself up off the floor. London traders went home to watch television for any move by the Federal Reserve.

Once again, a contrary performance from the FTSE Mid 250 Index, 2.4 firmer at 3,498.2, suggested determined bargain hunting across the broad range of the market. Seag trading volume of 506.2m shares showed improvement against recent levels, although it remained well short of acceptably profitable levels. Non-Footsie stocks

made up around 33 per cent of the day's total.

Retail business, the more convincing valuation of investment activity in equities, remained disappointing as the big investors waited for the FOMC and G7 meetings to bring a guide to near term prospects. On Tuesday, retail business was worth only £368.5m, still well below the levels to which the stock market has become accustomed during its bull phase.

The comments from Herr Kretsch, the German economic minister, that the Bundesbank had not favoured the last round of dollar intervention further dispelled hopes for concerted action from the G7 meeting. They also served to focus attention on the meeting this morning of the European policy council.

Broker support lifts BT

BT consolidated its position as the UK's biggest company, measured by market capitalisation, following a strong buy recommendation from Robert Fleming Securities. BT fully-paid shares settled 6% firmer at 383p and the partly-paid 5% up at 264p. Turnover in the two classes of stock was 16.1m shares.

Mr Laurence Heyworth, tele-

coms analyst at the stockbroker, set a short term target price of 420p for the fully-paid shares, telling clients that BT's first-quarter figures expected on July 25 should please the market. Fleming expects profits of around £750m, with inland call volume growth estimated at 6 to 7 per cent, against 2 per cent last year. "A little good news could provide a powerful stimulus to the shares," said Mr Heyworth.

The analyst added that BT had become very attractive. "In addition to the yield and price/earnings ratio, BT's firm value per line (i.e. market capitalisation plus debt divided by the number of fixed lines) is

now only 1.5x, the lowest of the quoted European telecom companies," he said.

GEC disappoints

The market showed its disappointment with preliminary results from GEC, the flagship of the UK's electronics industry, with the stock the worst performer among the FTSE 100 constituents and sliding more than 5% on its lowest level since January last year.

Explaining the steep fall in GEC shares, dealers said the market had been expecting news of a successor to Lord Wainstock, managing

director, and was surprised at news that he is staying on for a further two years.

Profits of £1.1bn were only a fraction of last year's and well below the consensus forecast of £200m, while the dividend total was in line with most estimates. But analysts pointed out that the profits included an unexpected £13m exceptional charge for litigation involving Hughes Corporation, and that adding that figure back would have put the results virtually in line with market estimates.

Analysts were said to be lowering the current year forecasts from the consensus to

£260m to a number closer to £90m. Some analysts said the fall in the shares had been overdone. One commented: "The post-results meeting was by no means gloomy and the company's generation was better than expected; this could be a good buying opportunity."

At the close GEC was 24 down at 2,070, with turnover of £1.1m in a single day on the profits warning issued last December.

US sellers of Prudential

Prudential, the UK's insurance group, was among FTSE 100's poorest performing news.

AM Best, the US insurance ratings agency, had lowered its rating for Jackson National,

Prudential's US subsidiary. The agency cut the rating because of the rate

and limited nature of

Jackson's products.

The stock fell to 2,949, with much of yesterday's turnover of 9.1m said to have been carried out by Morgan Stanley, the US investment bank.

The weakness was in stark contrast to most of the other FTSE 100 stocks, which responded to a buy recommendation from Morgan Stanley. The smaller companies had been left behind and would outperform. Britannia rose 14 to 421p, Refuge 8 to 269p and United Friendly 83 to 533p. Lloyds Abbey held at 349p after an agency cross of 3.2m shares.

Dixons, the stores and prop-

NEW HIGHS AND LOWS FOR 1994**NEW HIGHS****1. FTSE 100 INDEX (Liffe £25 per full index point)****2. FTSE MID 250 INDEX FUTURES (£10 per full index point)****3. FTSE 100 INDEX OPTION (£100 £10 per full index point)****4. EURO STYLEx FTSE 100 INDEX OPTION (£100 £10 per full index point)****5. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****6. FTSE 100 INDEX OPTION (OMX) £10 per full index point****7. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****8. FTSE 100 INDEX OPTION (OMX) £10 per full index point****9. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****10. FTSE 100 INDEX OPTION (OMX) £10 per full index point****11. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****12. FTSE 100 INDEX OPTION (OMX) £10 per full index point****13. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****14. FTSE 100 INDEX OPTION (OMX) £10 per full index point****15. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****16. FTSE 100 INDEX OPTION (OMX) £10 per full index point****17. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****18. FTSE 100 INDEX OPTION (OMX) £10 per full index point****19. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****20. FTSE 100 INDEX OPTION (OMX) £10 per full index point****21. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****22. FTSE 100 INDEX OPTION (OMX) £10 per full index point****23. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****24. FTSE 100 INDEX OPTION (OMX) £10 per full index point****25. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****26. FTSE 100 INDEX OPTION (OMX) £10 per full index point****27. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****28. FTSE 100 INDEX OPTION (OMX) £10 per full index point****29. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****30. FTSE 100 INDEX OPTION (OMX) £10 per full index point****31. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****32. FTSE 100 INDEX OPTION (OMX) £10 per full index point****33. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****34. FTSE 100 INDEX OPTION (OMX) £10 per full index point****35. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****36. FTSE 100 INDEX OPTION (OMX) £10 per full index point****37. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****38. FTSE 100 INDEX OPTION (OMX) £10 per full index point****39. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****40. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****41. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****42. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****43. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****44. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****45. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****46. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****47. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****48. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****49. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****50. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****51. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****52. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****53. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****54. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****55. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****56. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****57. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****58. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****59. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****60. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****61. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****62. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****63. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****64. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****65. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****66. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****67. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****68. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****69. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****70. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****71. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****72. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****73. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****74. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****75. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****76. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****77. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****78. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****79. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****80. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****81. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****82. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****83. FTSE 100 INDEX FUTURES (OMX) £10 per full index point****84. FTSE 100 INDEX FUTURES (OMX) £10 per full index point</**

LONDON SHARE SERVICE

FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

**Int. Cons. Int. Other 4-yr Total
Chgs. Price Price Price**

Guide to pricing of Authorised Unit Trusts

**Guide to pricing of Authorised
Compiled with the assistance of Lautro SSS**

INITIAL CHARGE: Charge made on sale of

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

PRICE PRICE: Also called subscription price.

EX PRICE: Also called redemption price. The price at which calls are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a percentage of the cancellation price.

the offer and bid prices is determined by a formula laid down by the government. In practice, most oil and coal miners quote a rough

process, stock out-of-pocket managers expect a higher spread. As a result, the bid price is often set above the cancellation price. However, if the manager's cost of holding inventories is low, he may offer a lower bid price.

SUMMARY PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from the Secretary.

TIME: The time often determines the final outcome of a battle. If the enemy has more time, he can bring up reinforcements and can be supplied after a charge from field storage.

TIME: The time shown alongside the food manager's name is the time of the next food manager's point unless another time is indicated.

The test values of the FT Managed Foods Service.

1100 hours; (4) - 1100 to 1400 hours; (4) - 1400 to 1700 hours; (4) - 1700 to midnight.
Daily delivery prices are set on the basis of the
25 Life Assurance and Unit Trust
Regulatory Organisation,
Central Point,

Only trading prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 1000 for more details.

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4578 for more details.

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

二〇〇〇年

AUSTRIA (Lhd G / Sch)	1.078	-8	1.395
LarCap	401.61	+2.10	401.50
Liquid	124.70	-20	104.70
Lured	1.078	-8	1.395

Carla	274	-	353	267	-	1	-	1	-	1	-	1
Coden	6.000	-	7.600	5.500	-	1	-	1	-	1	-	1
D/S12A	125.000	-	134.000	105.500	-	1	-	1	-	1	-	1
Orleco	598	-	1.140	878	-	1	-	1	-	1	-	1
Scania	322	-	427	305.500	-	1	-	1	-	1	-	1
Stena	174	-	174	162	-	1	-	1	-	1	-	1
FLS B	162	-	162	158	-	1	-	1	-	1	-	1
Björland	520	-	843	445	-	1	-	1	-	1	-	1
SS B	210	-	216	204	-	1	-	1	-	1	-	1
Apelström	1.240	-	1.850	1.140	-	1	-	1	-	1	-	1
LITGÅS	1.240	-	1.850	1.140	-	1	-	1	-	1	-	1
MKTAS	260	-	365	222	-	1	-	1	-	1	-	1
Wärtsilä	620	-	10.750	5.500	-	1	-	1	-	1	-	1
Siemens	1.000	-	1.000	700	-	1	-	1	-	1	-	1
Schmidt	558	-	700	550	-	1	-	1	-	1	-	1
Stephens	680	-	615	550	-	1	-	1	-	1	-	1
Björklund	410	-	575	473	-	1	-	1	-	1	-	1
Teddan	310	-	485	360	-	1	-	1	-	1	-	1
Opelan	724	-	328.45	300	-	1	-	1	-	1	-	1
Unimac	21.007	+1.027	357	207.500	-	1	-	1	-	1	-	1
FINLAND (Ju 6)												
Auton A	126	-	154	105.50	1.4	-	-	-	-	-	-	-
Editor	100	-	126	121	1.1	-	-	-	-	-	-	-
Siema	65	-	85	55	0.5	-	-	-	-	-	-	-
Siema R	41	-	47	46.50	35.50	1.1	-	-	-	-	-	-
Auton I	169	-	203	155.50	1.5	-	-	-	-	-	-	-
Auton P	10.40	-	17.10	17.40	1.0	-	-	-	-	-	-	-

INDICES

	Jul 6	Jul 5	Jul 4	High	1994	Low
Argentina General (29/12/77)	\$0	15246.97	15170.35	25498.40	182	17762.88 204
All Ordinaries (1/1/80)	■■■■■	2023.4	■■■■■	2340.80	3/2	1657.40 ■■■
■■■■■	■■■■■	993.1	■■■■■	1135.10	3/2	878.50 55
Austria Credit Attest (30/12/84)	■■■■■	■■■■■	■■■■■	460.00	2/2	368.57 ■■■
Traded Index (21/9/71)	■■■■■	■■■■■	1000.00	1222.25	1/2	■■■■■ 66
Belgium BEL20 (1/1/81)	1408.25	1418.97	1432.55	1542.05	92	1282.35 275
Brazil Bovespa (28/12/84)	\$0	3646.00	3580.00	36304.00	296	3580.00 ■■■
Canada Mark Minis+ (1/1/75)	■■■■■	3880.00	■■■■■	3978.50	185	3824.00 204
Composite+ (1/1/75)	■■■■■	4053.60	■■■■■	4100.00	233	3658.50 248
Portfolio 55 (4/1/83)	■■■■■	1004.10	■■■■■	2162.50	12	■■■■■ 265
■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■
China CAC 100 (1/1/86)	■■■■■	480.2	487.50	487.50	42	380.25 44
Denmark DAX (1/1/84)	362.15	364.1	■■■■■	416.70	22	356.00 235
Finland HIX General (28/12/84)	1703.65	1704.8	1804.5	1872.80	42	1680.00 271
France S&P 250 (1/1/84)	1274.63	1288.27	■■■■■	1385.20	2/2	■■■■■ ■■■
CAC (1/1/84)	1265.90	■■■■■	■■■■■	2255.00	2/2	■■■■■ ■■■
Germany FAC Attest (31/12/84)	■■■■■	■■■■■	■■■■■	358.27	186	■■■■■ ■■■
Communication (1/1/25/84)	2215.7	2208.8	2220.5	2665.50	25	■■■■■ ■■■
DAX (1/1/84)	■■■■■	2322.65	■■■■■	2271.11	■■■■■	1908.82 205
■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■
India Sensex (31/12/84)	650.72	■■■■■	652.04	1104.50	187	606.07 255
Hong Kong Hong Sing (31/7/84)	8454.02	8521.19	8528.25	12281.00	4/1	8382.44 46
India SEBI (1/1/84)	4086.3	4102.0	■■■■■	4321.00	210	3864.20 271
Indonesia Juwita Comp. (1/1/85)	■■■■■	455.76	455.97	512.85	5/1	453.00 97
Ireland ESCI Overall (1/1/85)	1711.94	1703.43	1893.71	2062.16	2071	1694.14 1/7
Italy Borsa Italiana (1/1/82)	585.50	601.24	585.54	817.17	105	581.50 107
Japan Mitsui General (4/1/84)	1123.0	1116.0	■■■■■	1219.00	105	944.00 107
Japan Metal 225 (16/5/85)	20521.03	20543.37	20531.03	21552.81	136	17380.74 4/1
Metal 300 (1/1/82)	303.43	306.28	304.00	311.71	136	288.22 4/1
Tokai (4/1/85)	1570.65	1583.49	1672.73	1712.73	136	1445.57 4/1
2nd Section (4/1/85)	2542.55	2541.90	2544.81	2542.85	87	1874.33 4/1
Malaysia KLSE Comp (4/4/86)	995.36	1004.06	998.50	1314.46	57	928.32 4/1

* See July 2 : Taiwan Weighted Price 8005.84; Austria Comp Ex 936.30. Base values of all indices are as at 31st December 1993. DAX = 1,000; JSE 300 = 2657.7; MSCI 26 Industries = 264.3; NYSE All Common Shares, + 9 Points. (d) Closed. (e) Unadjusted. (f) BSE/DAX after-hours index Jul 6 - 2034.

Mining - 500; Austria Traded, BELGI, BIX GEN, Nasdaq, New York, OTCB, OTCQX, OTCQB, CBOE Gold - 10.55
Minerals and DAX - #1 2001; JSE Gold - 265.7; JSE 26 Industrials - 264.3; NYSE All Common - 80 and Standard and Poor's - 10.55
Montreal & Toronto. (c) Closed. (d) Unavailable. (e) EBS/DAX after-hours index Jul 6 - 2031.33 -3.31

Stocks; whereas the actual day's highs and lows (supplied by Thomson) represent the highest and lowest values that the Index has reached during the day. (The figures in brackets are previous day's.) * Subject to official recalculation.

Don't miss our new blockbuster, "Everything You Ever Wanted to Know About the Markets But Were Too Afraid to Leave Your Desk." You see, the Pulse screens cover more markets than any other. So when you've got our financial pager in your pocket you need never be in the dark again. They're all over London and the West End now, certified specialists. For

that the Index has reached

Butcher Keeping an eye out for the markets.

Signature: _____ **Date:** _____
(No order accepted without a signature.)

Financial Times. Europe's Business Newspaper.

4pm close

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Digitized by srujanika@gmail.com



**Telephone Answering Machine
Automatic Paper Cutler
60 Locations Automatic Dial**

SAMSUNG

NYSE COMPOSITE PRICES

Vol. 34, No. 3

NASDAQ NATIONAL MARKET

4 pm close July

AMEX COMPOSITE PRICES

- H -											
Cal Micro	21 1484	23 221	22	2	-1						
Cambridge	1 1035	15	11	1	-1						
Candidat	1 15	3	2	2	-1						
Cates	2 144	14	61	12	-1						
Caron Inc	6,021,25	57	601	90	100	-1					
Carroll	2 25	42	41	41	-1						
Cardinal	0.12 25	144	402	404	404	-1					
CarverCom	0.61 20	14	252	252	252	-1					
Cascade	0.80 26	316	224	214	22	-1					
Casy S	0.08 17	505	115	114	115	-1					
Calpers	5 357	71	62	71	-1						
Callstar	8 334	194	162	162	-1						
CBM Cp	17 67	112	470	104	-1						
Centaur	4 4245	11	103	104	-1						
Centel Rd	1.12 12	140	334	322	322	-1					
Centri Spr	20 39	102	270	104	-1						
Chandler	8 3	42	42	42	-1						
Chapter 1	0.80 7	368	294	282	282	-1					
ChemShz	0.89 13 4409	104	59	59	-1						
Chembio	42 47	42	62	62	-1						
Chemist	15 13	162	103	102	-1						
Chemix	1 200	14	61	14	-1						
Chempac	12 3	34	34	34	-1						
Chipsite	7 2103	4	42	37	-1						
Chiron Cp	50 6087	53	651	512	-1						
Chixx	1.28 12	76	54	53	-1						
Chivas Cp	0.17 31 495	322	315	32	-1						
Chrysalis	31 7072	31	289	43	-1						
CS Tech	98 1168	22	618	152	-1						
CocoSys	12,000,000	23	22	23	-1						
Cz Bump	1.08 15	46	202	27	-1						
Czex Htr	22 20	73	73	73	-1						
Cmts Dr	40 102	113	112	113	-1						
Crofters	5 1840	41	41	41	-1						
CrossCable	1.00 17	14	291	272	294	-1					
Cuts Engr	132 1335	63	63	63	-1						
CutterNet	27 22	11	107	107	-1						
- I -											
IFR Sys	48 10	72	72	72	-1						
IDB Comm	20,2705	55	59	59	-1						
IS Intel	5 529	52	51	52	-1						
Innovator	20 68	52	52	51	-1						
Kompass	3 881	41	35	35	-1						
Impact Irc	0.48 32	24	17	16	-1						
- M -											
Magna	0.27 21	363	202	194	203	+1					
Mane Bus	0.80 20	263	194	194	194	-1					
New Image	8 1266	10	14	9	-1						
Nordgut	25 11121	344	335	344	-1						
Newport Cx	12 114	8	57	57	-1						
Noise Drl	25 2283	81	72	81	-1						
Nordson	200 24 927	542	534	54	-1						
Nostrm	25 2249	44	44	44	-1						
Nomina 1	12 131	17	14	17	-1						
N Star Un	4 10	84	54	54	-1						
NorthTel	0.88 13	573	41	41	-1						
NW Air	14 3167	141	134	135	-1						
Novell	30,23376	194	154	161	-1						
Novitax	31 1856	56	33	34	-1						
NSC C	7 5	32	23	23	-1						
- O -											
O'Charleys	27 58	174	17	17	-1						
Octel Com	12 2572	17	17	164	-1						
Offshore	13 500	132	124	130	-1						
Optekay N	0.80 8	15	25	25	-1						
Orbitel	1.48 5	389	264	274	-1						
Old Kopt	1.16 11	517	355	355	-1						
Old NetB	1.62 16	543	362	358	-1						
OnboardC	1.00 7	1139	307	304	-1						
One Price	13 278	18	17	172	-1						
Optical R	21 271	21	22	22	-1						
OracleS	55,7770	38	37	37	-1						
Orb Sence	40 3438	184	154	154	-1						
Orteltech	0.89 23	14	8	8	-1						
OrchidSoft	9 779	134	126	123	-1						
OrionMet	0.81 11	140	84	57	-1						
Otsap	8 114	21	21	24	-1						
OutsA	0.41 42	14	13	12	-1						
- U -											
US Hiltop	0.88 120375	364	334	364	-1						
Unitab	2 728	57	54	54	-1						
UVCables	1.00 13	76	18	152	-1						
US Jet x	2.00 12	12	51	502	-1						
United Stx	0.40 8	121	10	692	-1						
Unilog	0.24 21	48	22	27	-1						
Unistr	1.40 21	1771	241	391	-1						
US Banc	0.88 30 3614	265	234	255	-1						
US Energy	33 124	54	47	5	-1						
UST Corp	8 278	132	124	131	-1						
Utah Med	11 458	7	692	61	-1						
Ult Telv	11 103	47	42	49	-1						
Unix	18 71	8	8	8	-1						
- V -											
Vaisant	0.30 32	37	15	142	142	-1					
Vimed Cell	88 885	354	34	345	-1						

**GET YOUR FT HAND DELIVERED IN COPENHAGEN,
AARHUS, AALBORG, ESBJERG AND ODENSE.**

If you work in the business areas of Copenhagen, Aarhus, Aalborg, Esbjerg and Odense we'll deliver your daily copy of the FT to your office at no extra charge. Call Erna Pio for details on Copenhagen 3313 4441.



FINANCIAL TIMES

Carrier battle ends with something for everyone

AMERICA

Dow's strength masks broad market decline

Wall Street

Apart from gains in a few blue chip issues, US stock prices were mostly flat to lower in directionless trading yesterday morning as the market's attention remained fixed on the dollar and the second day of the Federal Reserve's open market committee meeting, writes *Peter Hervonen* in New York.

By 1pm, the Dow Jones Industrial Average was up 18.13 at 3,670.51. The strength in the Dow, however, masked weakness in the wider market. The more broadly based Standard & Poor's 500, for example, was down 0.12 at 446.25, while the American Stock composite eased 0.31 to 423.39 and the Nasdaq composite declined 2.06 to 701.53. Trading volume on the New York SE came to 135m shares by 1pm.

As on Tuesday, trading yesterday was hamstrung by the unwillingness of many participants to become involved in the market while the FOMC was still holding its meeting. When the meeting started on Tuesday, there was considerable speculation that the FOMC might raise interest rates to support the dollar, which has dropped recently against the yen in recent weeks.

Although by yesterday the consensus was that the FOMC would not change monetary policy, and would wait until it saw tomorrow's June employment report before deciding whether to act, uncertainty about the outlook for interest

rates continued to restrain demand.

A modest weakening in the dollar during the morning, and a slight decline in bond prices which pushed the yield on the benchmark 30-year issue back above 7.5 per cent, also contributed to the mostly downward

quarter because of poor results at its Salomon Brothers brokerage unit. The warning hit other brokerage stocks, including Merrill Lynch, which eased 3% to \$35, and Morgan Stanley, 5% down to \$55.

Canada

Toronto eased in sluggish early trade on soft gold shares and weaker conglomerates. The S&P 300 composite index had declined 17.19 to 1,036.37 after mid-session falls in 18.94m shares valued at C\$201m.

Precious metals showed the worst decline, losing 200.43, or 2.1 per cent, at 2,161.17 on the Bullion Ring of the New York Comex market.

Active issues included Novacorp, up 0.5% to C\$11 in 2m shares dealt, and Methanex Corp, which continued its upward march with a rise of C\$4 to C\$18 in 221,744 traded.

Brazil

Sao Paulo advanced 5.6 per cent in local currency terms in low mid-morning volume, on optimism over the government's anti-inflation plan and a presidential election poll expected later this week.

The Bovespa index rose 1,990 to 37,633. Traders said a dip in the São Paulo price of the basic basket of goods of 0.6 per cent between Monday and Tuesday provided a boost to stocks, given that inflation was running at 1 or 2 percentage points a day before the government's latest anti-inflation plan came into operation.

Keys resignation adds to S Africa woes

Johannesburg could find little positive news to support prices but limited selling kept losses to a minimum. Tuesday's resignation of Derk Keys as finance minister had caught the market unawares; however, the swift announcement of a replacement steadied nerves and took the sting out of losses.

In addition, a slightly softer balloon price and continued concern about the outlook for world markets depressed sentiment, limiting demand until further concrete factors emerge.

The overall index finished 47 lower at 5,404, industrials lost 47 at 6,220 and golds declined 52 to 2,141. Anglo American relinquished R225 and De Beers was R1.25 lower at R106.50. Richemont shed R1 to R17.50.

Key industry stocks were firmer, SAB appreciating R1 to R8 and Gencor climbing 15 cents to R10.90. However, Iscor dipped 8 cents to R3.42, Barlowe receded 75 cents to R34.50 and Remgro eased 25 cents to R25. Banks were also soft, Firstbank losing 25 cents at R31.50.

EUROPE

Varied response to volatility in dollar

There was an awkwardly timed drop in the dollar towards the end of the European afternoon but apathy, rather than apprehension, seemed to be the order of the day in most bourses, writes *Our Markets Staff*.

French and Spanish equities responded in varying degrees, but at bank Julius Baer in Frankfurt, Mr Gerhard Grebe said the Bundesbank was not unhappy with a gentle decline in the dollar, which would help to dampen German import prices; whereas, he argued, if Buba were to create money to support the US currency, its long running problem with inflated M3 growth would be exacerbated.

Short term, this scenario would not be good for the German corporate sector, said Mr Grebe, but there would be adjust to the situation.

PARIS blamed the dollar for a wave of futures selling which left equities off the top, the CAC 40 index ending 10.26 up at 3,600.12, but traders

said there was little weight behind the move. Turnover stayed light at FF12.9bn.

Pechiney rose FF5.6 to FF133 as it said its Pechiney International unit should see a stable first half, and a positive full year. Alcatel Alsthom recovered a further FF7.4 to FF157.8.

ASIA PACIFIC

Late rise in yen leaves Nikkei losing ground

Tokyo

A late rise in the yen triggered arbitrage selling and profit-taking, and the Nikkei 225 average lost ground in low volume, writes *Shelley Terzoni* in Tokyo.

The index was down 205.34 at 20,229.03 after a high for the day of 20,573.76 in the morning, and a low of 20,271.43 just before the close. The yen returned to above Y85 to the dollar, prompting profit-taking in the high-technology sector and depressing the futures market.

Volumes amounted to 385m shares, against 391m. Small-lot buying by foreigners and institutional investors failed to counter selling by arbitrageurs and dealers.

The Topix index of all first section stocks receded 12.84 to 1,970.65, while the Nikkei 300 declined 2.85 to 303.43 and led rises by 701 to 330, with 160 issues unchanged. In London the ISE/Nikkei 50 index was 0.07 firmer at 1,332.80.

Dealers predicted that equities would trade in a narrow range throughout this week, ahead of the Naples Group of Seven summit tomorrow. A Japanese broker noted large-lot buying orders around the Nikkei 20,500 mark, but more investors waiting to sell around 21,000.

Arbitrage selling depressed bank shares. Dai-Ichi Kangyo Bank declined Y40 to Y1,990 and Bank of Tokyo by Y40 to Y1,560.

High-technology issues, which had recovered earlier this week on the brief retreat of the yen against the dollar, were sold. Hitachi, Y1,070, and Fujitsu, Y1,110, slipped Y30 apiece.

Terumo, the medical equipment maker, rose by its daily limit of Y200 for the second consecutive day to Y1,220 on continued bullishness among investors over the company's development of a new three-dimensional television screen.

Speculative investors continued to buy stocks seemingly linked to the "hot weather" theme. Traders explained that

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES							
July 6	July 5	Open	10.20	11.00	12.00	13.00	14.00	15.00	Clos.
FT-SE Banktrack 100	1322.00	1321.00	1322.24	1321.04	1317.25	1314.75	1312.24	1311.00	1311.00
FT-SE Banktrack 200	1363.35	1362.00	1363.48	1362.11	1362.73	1362.05	1362.55	1362.00	1362.43

Banktrack 100 (1993 opening: 1319.00 closing: 1311.00) 1312.00

Banktrack 200 (1993 opening: 1352.00 closing: 1342.00) 1342.43

cal rebound from recent lows. Analysts also suggested that the government go-ahead for the modernisation of Milan's second airport, which is important for the airlines' industrial strategy, overcame worries about yesterday's strike by cabin crew and threatened industrial action by flight and ground staff next Monday.

ZURICH was easier in quiet trade in response to the lower dollar, a weak futures market and a continuing absence of buying pressure. The SME index gave up 1.6% to 2,950.2, with dollar-related industrial issues feeling some pressure. Roche certificates fell SFr50 to SFr49.20.

AMSTERDAM featured a strong performance by KLM in an otherwise subdued market and a continuing absence of buying pressure. The SME index gave up 1.6% to 2,950.2, with dollar-related industrial issues feeling some pressure. Roche certificates fell SFr50 to SFr49.20.

MILAN's domestic bond-based combine, was one of the few stars of the day, rising 5.5 cents to 131.10 after forecast of the US dollar and slowly growing fears of inflationary pressure in Spain. The general index finished 3.6%, or 1.25 per cent, down at 131.10, a new low for the year. Turnover was light at Pt24.7m.

Short term, this scenario would not be good for the German corporate sector, said Mr Grebe, but there would be adjust to the situation.

PARIS blamed the dollar for a wave of futures selling which left equities off the top, the CAC 40 index ending 10.26 up at 3,600.12, but traders

said there was little weight behind the move. Turnover stayed light at FF12.9bn.

Pechiney rose FF5.6 to FF133 as it said its Pechiney International unit should see a stable first half, and a positive full year. Alcatel Alsthom recovered a further FF7.4 to FF157.8.

FRANKFURT was trapped in a narrow range in spite of another repo rate cut, the Dax index rising 3.01 to 2,055.70 on the session and easing to 2,051.33 in the post-hour, although dealers had said that it would be bad for equities if the dollar fell again – as it did, in the last hour of this trading.

Turnover fell from DM5.7m to DM4.4m. Vies, the utility

was quoted at D1,430 as it made its market debut, slightly above the D1,400 price set by the treasury for its sale of 5.65 per cent of the insurer. At the same time, Insu said that life insurance premiums grew by 26 per cent in the first five months of the year.

Strong US demand took KLM 60 cents higher to close at D13.20, after touching D13.70, in response to a favourable article in an American financial newspaper, which said that its co-operation with Northwest was paying off.

COPENHAGEN reflected the effect of general and specific fears in ultra-thin turnover. Topdanmark, the ailing Danish insurance and finance services group, paid the price for forecasting a current year loss

approaching Dkr20m on Tues-

day, the shares weakening Dkr7.6, or 3.5 per cent, to 201.30.

ISTANBUL jumped 5.5 per cent as a wave of buying lifted prices towards the close, although much of the activity was attributed to investors switching issues and sellers who were hiding some stocks up before cashing in profits.

The composite index rose 6.24 to 20,500.24, returning to the 20,000 level for the first time since June 1993.

Written and edited by William Cochrane and Michael Jackson

and a late afternoon sell-off left the Hang Seng index down by 18.27, or 1.16 per cent, at 1,654.92, just off the day's low of 1,644.36.

Turnover was nearly HK\$32m, registering a preliminary HK\$1.8m gain against Tuesday's adjusted HK\$1.6m. Brokers said investors were betting on higher interest rates in the short term.

Meanwhile, worries about the profits of property developers, the focus of the late sell-off, also dogged the bourse. Cheung Kong weakened HK\$1 to HK\$1.10 and SHK Properties HK\$1.10 to HK\$1.20.

SIDNEY surrendered recent gains to sink below the 2,000 barrier on the All Ordinaries index, which finished 12.2 point weaker at 1,991.2 and well below an intraday high of 1,998.27.

Turnover was nearly HK\$32m, marking by a pool discount producer, climbed Y40 to Y62.

In Osaka, the OSE average slipped 51.07 to 23,433.30 in volume of 41m shares.

Roundup

Uncertainty about the direction of world and domestic interest rates left most of the Pacific Rim lower.

HONG KONG worried about the weak dollar and the impending end of the US FOMC meeting later yesterday.

STANLEY surrendered recent gains to sink below the 2,000 barrier on the All Ordinaries index, which finished 12.2

point weaker at 1,991.2 and well below an intraday high of 1,998.27.

Turnover was nearly HK\$32m, marking by a pool discount producer, climbed Y40 to Y62.

In Osaka, the OSE average slipped 51.07 to 23,433.30 in volume of 41m shares.

All those Notes having been sold, this announcement appears as a matter of record only.



Bayerische Landesanstalt
für Aufbaufinanzierung

Munich

DM 200,000,000
Floating Rate Notes of 1994/1999 II

Price:

Interest:

Repayment:

Listing:

Six-Months-DM-LIBOR + 1.00 p.a., payable semi-annually on January 5 and July 5 of each year

July 5, 1999, ex par

Munich

Trinkaus & Burkhardt

Kommhandgesellschaft

ABN AMRO Bank (Deutschland) AG

Bank Brüssel Lambert N.V.

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

Bayerische Landesbank Girozentrale

Bayerische Vereinsbank Aktiengesellschaft

Commerzbank Aktiengesellschaft

First Boston Efectenbank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

DG BANK Deutsche Genossenschaftsbank

Dresdner Bank Aktiengesellschaft

GZB-Bank Zentralbank Stuttgart

Hamburgische Landesbank Girozentrale

Raiffeisenbank Kleinwalsertal Aktiengesellschaft

Schweizerische Bankgesellschaft (Deutschland) AG

Thursday July 7

in dollar

ing group

Profile: the Hong Kong Trade Development Council Short-term credit insurance

EXPORTER

Changes in state aid for German exports SUMMER 1994

Opportunities for car component manufacturers

GLOBAL SOURCING

FINANCIAL TIMES

A circular graphic at the top features a stylized map of the world with various car parts (tires, engines, seats) scattered around it, symbolizing global trade and manufacturing.

FINANCIAL TIMES THURSDAY JULY 7 1994

You find the right customer.
We'll find the right export finance deal.



When you're putting together an export deal, the last thing you want to worry about is how ■ provide the credit terms demanded by your customer. After all, it's a big enough ordeal finding the right customer in the first place. That's where Barclays can come to the rescue. With just ■ phone call, we'll tell you exactly which scheme is best for you. From short ■ medium-term credit, our Trade Finance Unit is the central point of contact for the entire range of schemes available. And they're all available from Barclays. So why not call us now on 071 ■ 2180. We think you'll find exactly what you're looking for.

BARCLAYS

EXPORT FINANCE

THE WORLD TRADE ORGANISATION

Peter Schlesinger, outgoing director-general of Gatt.

Alan Spence and Jon Marks

examine what the arrival of Gatt's successor early next year will mean to exporters

THIS new world trade order to be led from 1995 by the World Trade Organisation promises significantly less trade than in bureaucracy. If it can and becomes more open trading environment, the much for exporters by free trade constraints growth in developing and industrialised economies. Distortions to the practice of free and fair trade are, in the long run, best for the producers as well as the purchasers of goods.

And so it is, with the successful conclusion of the General Agreement on Tariffs and Trade (GATT) Uruguay Round negotiations that barriers to free trade constraint growth in developing and industrialised economies to the reforms of commitment free and fair trade are, in the long run, best for the producers as well as the purchasers of goods.

Irriving out distortions and moving towards a more open trading environment – widely known by its English nickname – the GATT-based Gatt – should therefore be a priority in creating any new world trade order without itself adding an extra layer of bureaucracy to the process.

The GATT's creation sets the ground for a new, more structured order in world trade. The organisation, for which a director general and director-general have yet to be chosen, will police international trade, basing its work on the final act of the Uruguay Round. This document contains 28 agreements to which have been added some 900 pages of national tariff and services schedules. The WTO will combine Gatt and various organisations that are responsible for service and intellectual property. Its central council will be responsible to a number of technical committees that will be held every two years.

The Uruguay Round introduces a dispute settlement mechanism – described by the Gatt as "the antiseptic" of the WTO – to settle disputes between member countries. It will be strengthened through the introduction of arbitration panels to which will have the power to sanction offenders, including the ordering of compensation payments. Those who refuse to comply will face authorised trade penalties.

Exporters should benefit from a strengthening of the rules and procedures governing trade. For the first time, the trade in farm products, textiles and services are brought under the Gatt disciplines.

Services exporters are expected to be among the main beneficiaries of the changes. The Uruguay Round has brought basic fair-trade principles such as nondiscriminatory treatment of the services sector for the first time.

The Uruguay Round intellectual property agreement is expected to encourage technology transfer – a critical step in promoting industrialised economies. The further opening of public procurement to international competitive bidding has been calculated to expand contract awards.

The WTO will consolidate these trends at a time when world trade is becoming progressively more liberal. During the seven days it took to negotiate the Uruguay Round, more than 60 countries announced unilateral measures to their members.

Even bilateral disputes are clearly not a thing of the past and profound differences between rich and poor nations over how the international economic order

The doors are opened wider

The hangover begins to clear

Lord Weir

With finance remains tight, Lord Weir sees plenty of potential in international project business in developing countries

Apart from general background conditions, the prospects for international project business in developing countries are largely affected by three factors. First is the availability of credit and finance. The second factor affecting individual suppliers' contracts is their cost base. Third is the development of a developing country's natural resources are such that in the period since independence, with objective government, it should have a much more positive impact on development than by a developing country.

For the UK, the most significant areas where international project business is possible, even if well below GDP itself, are the oil-rich areas of Africa, central Africa, mis-governed and damaged public finances to a degree through misrule.

The possibilities in South America, certainly better than they have been for some time, but require a much more positive view from British contractors.

The developing countries in Africa remain sed cases. Most disconcerting is Nigeria whose natural resources are such that in the period since independence, with objective government, it should have a much more positive impact on development than by a developing country.

The UK should continue to be competitive, and can do so by making its economy lighter than in reality, as the world is still recovering from the hangover left by the effects of the recession.

These include a import costs, and the competitive gap and adverse effect on margins, caused by overvaluation. Adding the effect of action by competitors, notably the US, has been more apparent, and the competitive gap and adverse effect on margins, caused by overvaluation.

Against the introduction of tariff protection, caused by overvaluation, most of Europe and east Asia, Australia will retain higher tariffs than most of Europe and east Asia.

Argentina's introduction of tariff protection, rather than non-tariff barriers – could afford EU farmers even more protection than is present. This measure will not be adopted by the EU over the next few years.

On export, small firms, exporters will always want improvement. There has been a significant reduction in protectionism, especially within the OECD, the recognition of contributing to this direction.

In the international project business more up and down the league table of relative advantages. The weakness of the dollar causes problems, but it is hardly surprising that many are temporary.

However, their contractors can offset this by purchasing equipment and supplies from countries that have a higher exchange rate, thus doing just that.

A degree of is complicated. It is enough to affect each country, but not exactly in the same way. Competing country, neither nor.

This will mean the largest imports, including Russia and China, will be reduced, and the current subject of a future dispute in the EU over imports are to be cut by 40 per cent.

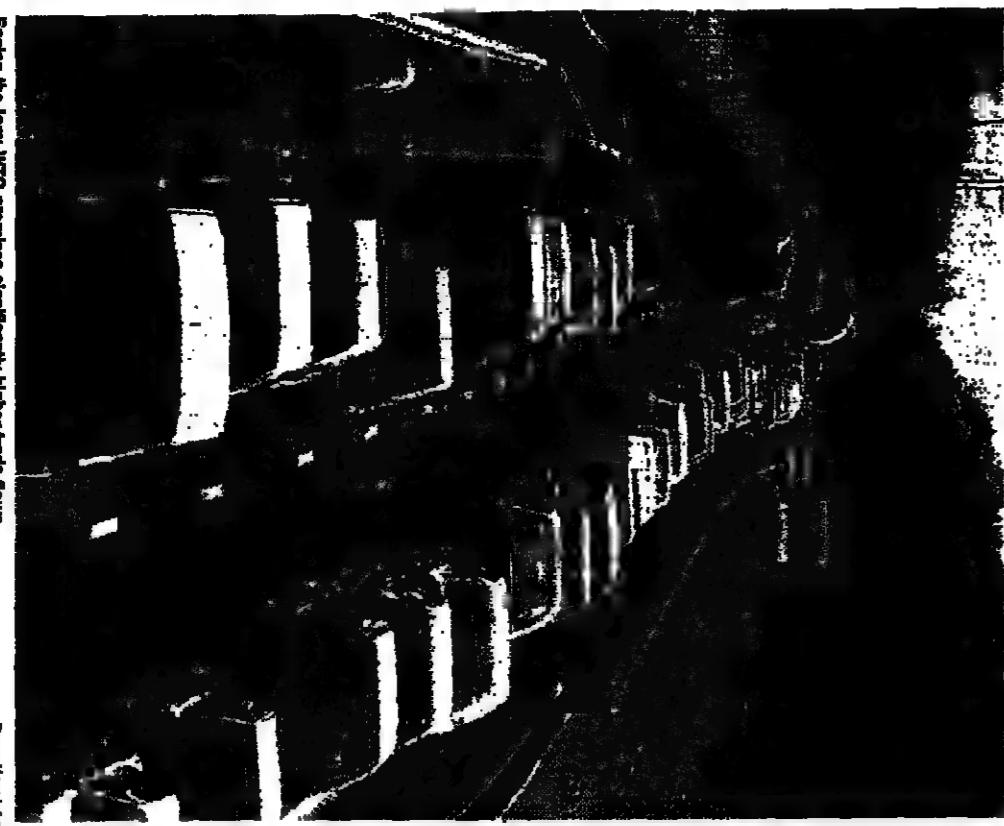
The WTO agreement, however, offers a great deal of promise. New markets will open. At the Uruguay Round signing in Marrakech, New Zealand, Japan, Korea, and the United States will be the first to benefit from the new rules.

If the story is Japan and some other countries, then Japan will be the first to benefit from the new rules. As a result, Japanese market will be greater opportunities for success by foreign exporters, depending upon their efforts.

The Uruguay Round intellectual property agreement is expected to encourage technology transfer – a critical step in promoting industrialised economies. The further opening of public procurement to international competitive bidding has been calculated to expand contract awards.

The WTO will consolidate these trends at a time when world trade is becoming progressively more liberal. During the seven days it took to negotiate the Uruguay Round, more than 60 countries announced unilateral measures to their members.

Even bilateral disputes are clearly not a thing of the past and profound differences between rich and poor nations over how the international economic order



Peter Schlesinger, outgoing director-general of Gatt. The WTO's influence will depend critically on the choice of its first director-general.

Alan Spence is editor, International Trade Finance, a monthly newsletter published by Financial Times Business Information, 500 Northumbrian Way, London NW1 3AB, UK.

Photo: Hans-Joachim Henning



Continued from page 21
Working in collaboration with Yorkshire Water, which itself won a \$65m plant equipment supply contract, Bharat Heavy Electricals Ltd will be involved in the design and construction of a rough grading plant for the Daqing oilfield in north-west Heilongjiang province, China.

The project, a joint venture between the Chinese National Technical Import Corporation and Bharat Heavy Electricals, will be financed by the Chinese government and local companies. The plant will produce 100,000 tonnes of oil per day, resulting in a significant increase in oil output. The project is expected to start in June, just weeks after the delivery of the first 100,000-tonne export contract.

"This is a completely new multi-million dollar deal," says Brian Cartwright, Bharat Heavy Electricals' project manager. "The project has always been important for us, and our customers are looking at other markets to expand our business."

"We are looking at other markets to expand our business," says Jim Dawson, director of Marketing Division. "And with the support of our partners, we are looking at other markets to expand our business."

Even though the project has already been awarded, the appointment of a locally based and well-connected distributor, Jianan, and the defense sector, will help in securing new markets, continues Jack Newell, managing director of Bharat Heavy Electricals.

Photo: S. D. Nair



GERMAN CREDIT INSURANCE
(right) has been placed in the Greek ports".

Five-tier rate system controversial

While cheaper premiums in growth may help some, struggling east German businesses will be hit by more expensive rates for countries of the former Soviet Union, says Christopher Perven

Germany's export credit insurance system came of age on July 1 with the abolition of a 50-year-old system of uniform Bundebank in exchange for a new, more flexible system. A new system was introduced by two-thirds for on deals with lower-risk countries and doubled it for companies doing business with the world's economic leaders.

While the government

and the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the government complained that politicians had given in to manufacturers' traditional Russian and Central European export credit insurance would not adequately benefit west German companies.

Berlin insisted that cultures had international agreements to honour, and Germany's traditional partners in the General Agreement on Tariffs and Trade required export credit

insurance would remain.

But the opposition

argued that

politicians

had

agreed

to

the

new

system

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

more

flexibility

as they had through more than two years of consultation.

German media commentators

overwrote

the

new

system

as a breakthrough for celebration, but the opposition

wanted

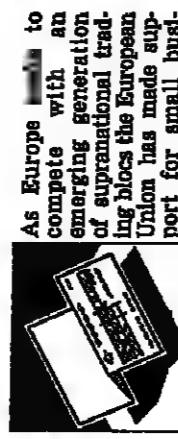
more

flexibility

Providing a window on the world

SMALL AND MEDIUM-SIZED ENTERPRISES AND THE EUROPEAN UNION

Mark Ford looks at the range of support provided by the EU to help small and medium-sized exporters in Europe to expand their markets



As Europe tries to compete with an emerging generation of supranational trading blocs the European Union has made support for small businesses one of its top priorities. UK companies can benefit from a range of facilities.

According to a European Commission document on the subject "Fostering SMEs" key needs a need to provide Small and Medium-sized Enterprises (SMEs) with a European dimension and a "window on the world" thus helping them to operate within compartmentalised national markets".

SMEs development is one of Europe's highest priorities - but export strategies in small firms must look at the range of support that can be obtained from the EU from a European perspective.

Direct support for export related activity is available but the bulk of support for small firms searching for wider markets is through initiatives that encourage development of internationally competitive products, services and

businesses having a book value of less than Ecu70m (Pst70m) and with not more than one third of capital held by a larger group. In particular, policy areas - programmes and facilities often favour companies which are smaller than the defined maximum size.

The importance which the EU attaches to small firms is manifest in the existence of DGXIII for Enterprise Policy, Distributive Trades, Tourism and Co-operatives - EU's directorate (EU's equivalent to a national government department) dedicated to SMEs development.

There are two main objectives within the EU's policy towards SMEs. The first, according to the Commission, is to "help create favourable administrative, regulatory, cultural and social environment sufficiently open and simple so as not to handicap firms in terms of costs and profitability". The second is to provide practical assistance to new and existing SMEs seeking to develop European and wider markets.

These objectives, programmes and facilities are introduced within six project areas for SME development:

- training;

- information;

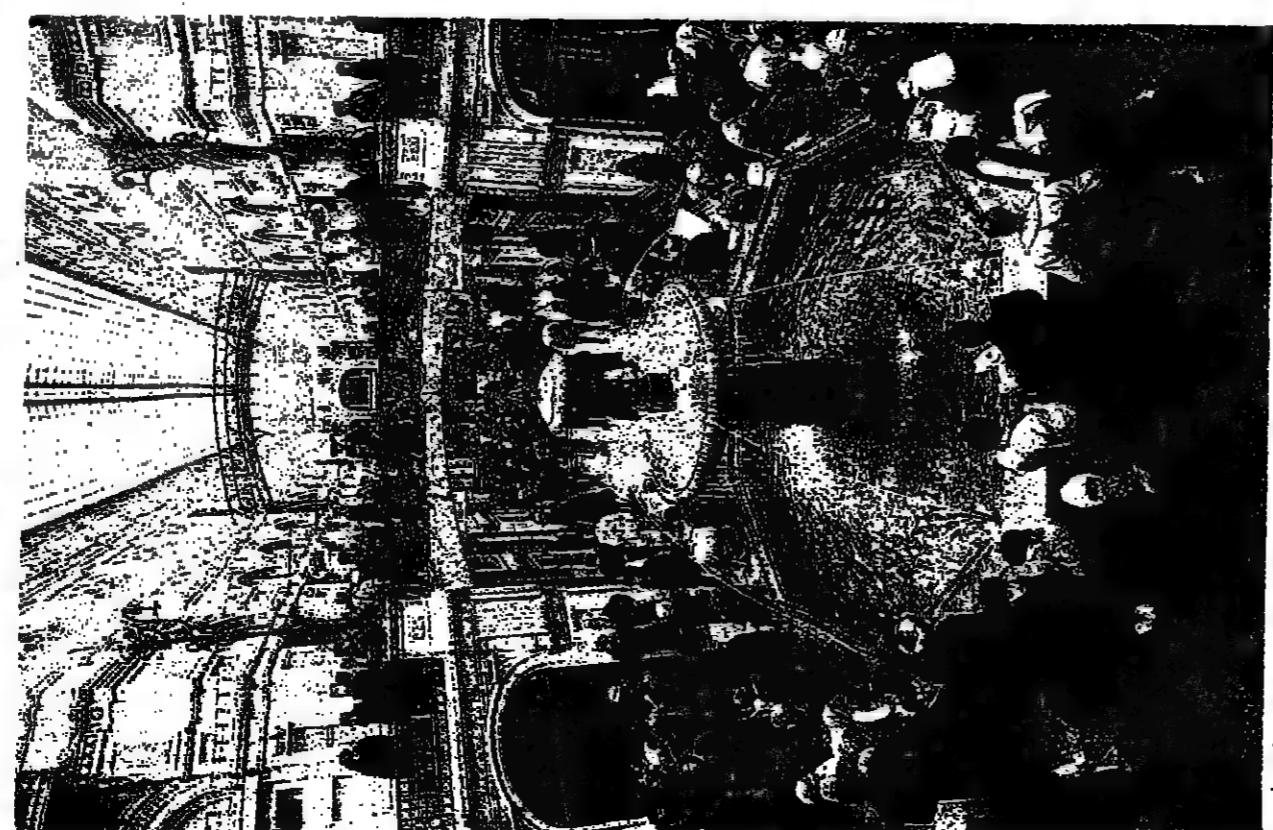
- exports;

- establishment of firms and innovation;

- inter-firm and inter-regional cooperation;

- the provision of finance to help SMEs operate in European markets.

Finances, in the form of loans and grants through intermediary national and regional



Gum department - Moscow: EU opportunities in

representative bodies, training, research and development and innovation

UK companies directly or indirectly help

UK companies improve skills or develop

facilities to help SMEs compete in

international markets include initiatives

encourage co-operation, for example

products in which SMEs pool their resources with

other SMEs, with larger firms and

in developing and marketing

internationally competitive products, process and

services.

Information is perceived to be a

key factor in companies investigating new

markets in whom they can

export. A range of objects relevant to

SMEs, such as a range of services

offering financial, commercial or

facilities which directly help SMEs to

export are now available to

EU countries. Current targets

are Australia, Indonesia, Malaysia,

Philippines, Singapore, South

Korea, Thailand and Japan.

EU policies have focused on the

opportunities for SMEs result

from EU research and development

activities, including SMEs

in infrastructure improvements to the provi-

sion of basic services, including SMEs

in a range of projects from

EU countries, such as the

EU programme promoting exports for SMEs

from EU countries, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

EU programme for SMEs

for SMEs, such as the

Focus of trade constraints shifts

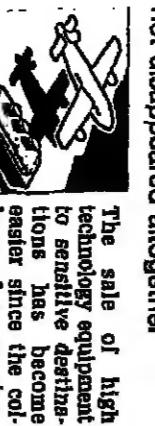
FT EXPORTER 10

FINANCIAL TIMES THURSDAY JULY 7 1994

HIGH TECH EXPORTS

Focus of trade constraints shifts

While the demise of Comexco has led to an easing of controls, Alan Spence finds that they have not disappeared altogether



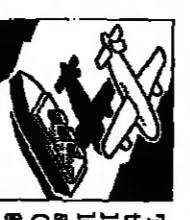
The sale of high technology equipment to sensitive destinations has become easier since the collapse of communism, but strict controls within former Comecon countries have reduced the sale to the region of "dual-use" technology - goods suitable for military purposes specifically designed for military purposes. That the collapse of communism in eastern Europe and the former Soviet Union does not mean that all restrictions have disappeared. The focus of residual controls, for example, North Korea and Iran, especially for developing countries, is reflected in the distribution of export licences issued by the IEC's Export Control Organisation (ECO), a unit within the Department of Trade and Industry (DTI). About 21,000 licences were approved by ECO in 1993, compared to about 10,000 in 1988. And the ECO estimates provision of about 14,000-15,000 licences for 1994.

Cocoon's final year was marked by a easing of restrictions, especially for exports of telecommunications equipment, computers and precision machine tools, UK computer manufacturer ICL.

GLOBAL SOURCING

The move towards global purchasing

Kevin Done looks at the way Ford's CDW-27 project is showing how many of the company's planned reforms can be implemented



This autumn, Ford car maker's Player history, the world's second largest carmaker is launching its first ever genuine, a \$200 million project, has helped to lay the foundations for one of the most industrial organisational shake-ups in the US

The programme has already spawned the Ford Mondeo large family car, which was launched in Europe in spring last year, and Ford is preparing to put the older cars, the Ford Contour and the Mercury Mystique, on sale in north America. The CDW-27 project has convinced the company that it is possible to design, develop and engineer a car in one region -

Did you know that you are already represented by over 600 experts in 200 countries across the globe? They contribute to a system that identifies over 40,000 new business opportunities worldwide, and generates £200 million of new exports for the UK each year. This system is used by thousands of UK exporters in part of their export information network - shouldn't you be using it too?

For more information about our Export Intelligence service, and how it can work for you, phone our sales team on 081 900 1313, or write to them at: Prentek Limited, Export House, Wembley Hill Road, Wembley, Middlesex HA9 8BU, fax/fax: 081 900 1268.

Prentek Limited is a wholly-owned subsidiary of Mercury Communications, it operates the Export Intelligence service on behalf of the Department of Trade and Industry.

Code reference: FT1004

INTELLIGENCE



Restrictions ease: corporate operators at the Comexco bank for knowledges

reports £50m worth of business in eastern Europe for 1993. A figure "substantially up from the previous year", says a company spokesman. Cocoon began to reduce a long list of restrictions in 1990 while also renewing manufacturing contracts such as Hungary, Poland and Czechoslovakia from men. On the day of Cocoon's demise, the US Commerce Department removed licensing requirements on almost all low level telecommunications equipment and computers to every ex-communist nation except North Korea.

On the day of Cocoon's demise, the US Commerce Department removed licensing requirements on almost all low level telecommunications equipment and computers to every ex-communist nation except North Korea.

Payment guarantees a step nearer

CREDIT WATCH

Jon Marks and Kevin Godier say an EBRD move to provide guarantees against non-payment by Macedonia is an important step for exporters trying to secure payment in difficult markets

A slow trade facilitation system and exchange delays of up to five months remain. An overhaul of the bank system in winter '94 and Stavros Dimas' appointment as minister for economy and finance will help to improve handling of transactions. Late, smaller short-term loans are possible, Barclays Bank is among those open to western risk perceptions, is that in countries like Macedonia many banks are made by ECO to UK companies to subject to special licensing procedures. These are upgraded to 100 after difficulties with Sonnenberg's amendment to the UN Security Council limits arms embargoes to Somalia and Liberia, and complete embargoes upon trade with Iraq, Haiti and Serbia. Montenegro. Certain goods are additionally prohibited from Libya and Angola. UK consular procedures were upgraded to 100 per cent collateral guarantees. An "and/or" or "either/or" contract was introduced, forcing would-be exporters to make reasonable enquiries to allow any suspensions regarding use of documentation.

This has been consolidated through the launch of March's Export Training Initiative - a package of materials for companies - and the publication of a Code of Practice for Enforcement.

More than 200 annual compliance visits are made by ECO to UK companies to reinforce the licensing process. These are reinforced by the licensing process. These are standard trade instrument around the world, but can be hard to secure in economies with poor credit ratings where banks are loath to build up even the most short-term exposure. "The really bad news is that in countries like Macedonia many banks need at least 100 per cent cash collateral fees for credit," says David Hextor, head of the EBRD's financial institutions group.

The EBRD, like other multilateral institutions, is not a natural alternative supplier of export credits. Only minimal amounts of this form of financing are available to more difficult markets - and after a period of debate over how best to stimulate trade flows. However, the general principle of trade facilitation allowing the EBRD to intervene in trade finance has been accepted, Mr Hextor says.

The EBRD guarantee makes commercial finance a more attractive prospect for correspondent banks. It should help to build confidence in new contacts for financial institutions such as Komercbanka, whose opportunities to develop trade diminished by wider risk considerations. Similar facilities could follow in Russia and Belarus.

The EBRD trade facilitation project focuses on a key problem: how to build capacity to secure commercial deals in difficult markets. Even in countries with more established credit ratings there may be limited capacity to provide the support needed to allow adequate flows of imports. It is often necessary to store inventories in a bank which will open an LC, or to find a distributor or another specialist trade finance provider to facilitate a deal.

A good indicator of capacity and country risk perceptions is whether forfaiters are prepared to provide financing. Forfaiting is a specialised trade finance instrument. The forfaiter, usually a bank, buys the exporter's debt at a discount, providing cash upfront and reducing the exporter's risk to zero. To do this, the forfaiter must be attracted to the market, offered competitive terms and have enough experience.

Usually, the longer the maturity (typically, perhaps) the forfaiter is prepared to buy, the better the risk. Banks and specialist trade finance houses such as forfaiters make the following country observations:

● Colombia is attracting to banks, who are increasingly prepared to confirm Jcs of over 360 days. Forfaiters will finance deals of up to three years.

● Ecuador: securing confirmation for open sight (immediate payment) Jcs is problematic until wider debt problems are overcome, but a few market specialists are beginning to offer deals.

● Venezuela: the collapse of Banco Latino in January has had a significant impact on doing very short-term deals.

There are many, limited to the largest banks and less-known companies. Forfaiters may pick up to one-year financing, but the market is cautious.

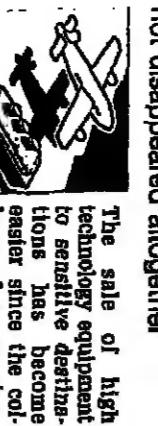
South-east Asia is another focus for the emerging market boom, but trade finance generally tends to be more cautious than the investment community and funding capacity may be limited.

● Vietnam continues to attract financing, but banks are less enthusiastic while pay-

HIGH TECH EXPORTS

Focus of trade constraints shifts

While the demise of Comexco has led to an easing of controls, Alan Spence finds that they have not disappeared altogether



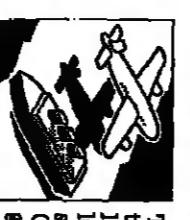
The sale of high technology equipment to sensitive destinations has become easier since the collapse of communism, but strict controls within former Comecon countries have reduced the sale to the region of "dual-use" technology - goods suitable for military purposes specifically designed for military purposes. That the collapse of communism in eastern Europe and the former Soviet Union does not mean that all restrictions have disappeared. The focus of residual controls, for example, North Korea and Iran, especially for developing countries, is reflected in the distribution of export licences issued by the IEC's Export Control Organisation (ECO), a unit within the Department of Trade and Industry (DTI). About 21,000 licences were approved by ECO in 1993, compared to about 10,000 in 1988.

Cocoon's final year was marked by a easing of restrictions, especially for exports of telecommunications equipment, computers and precision machine tools, UK computer manufacturer ICL.

GLOBAL SOURCING

The move towards global purchasing

Kevin Done looks at the way Ford's CDW-27 project is showing how many of the company's planned reforms can be implemented



This autumn, Ford car maker's Player history, the world's second largest carmaker is launching its first ever genuine, a \$200 million project, has helped to lay the foundations for one of the most industrial organisational shake-ups in the US

The programme has already spawned the Ford Mondeo large family car, which was launched in Europe in spring last year, and Ford is preparing to put the older cars, the Ford Contour and the Mercury Mystique, on sale in north America. The CDW-27 project has convinced the company that it is possible to design, develop and engineer a car in one region -

Did you know that you are already represented by over 600 experts in 200 countries across the globe? They contribute to a system that identifies over 40,000 new business opportunities worldwide, and generates £200 million of new exports for the UK each year. This system is used by thousands of UK exporters in part of their export information network - shouldn't you be using it too?

For more information about our Export Intelligence service, and how it can work for you, phone our sales team on 081 900 1313, or write to them at: Prentek Limited, Export House, Wembley Hill Road, Wembley, Middlesex HA9 8BU, fax/fax: 081 900 1268.

Prentek Limited is a wholly-owned subsidiary of Mercury Communications, it operates the Export Intelligence service on behalf of the Department of Trade and Industry.

Code reference: FT1004

INTELLIGENCE

Payment guarantees a step nearer

CREDIT WATCH

Jon Marks and Kevin Godier say an EBRD move to provide guarantees against non-payment by Macedonia is an important step for exporters trying to secure payment in difficult markets

A slow trade facilitation system and exchange delays of up to five months remain. An overhaul of the bank system in winter '94 and Stavros Dimas' appointment as minister for economy and finance will help to improve handling of transactions. Late, smaller short-term loans are possible, Barclays Bank is among those open to western risk perceptions, is that in countries like Macedonia many banks are made by ECO to UK companies to subject to special licensing procedures. These are upgraded to 100 after difficulties with Sonnenberg's amendment to the UN Security Council limits arms embargoes to Somalia and Liberia, and complete embargoes upon trade with Iraq, Haiti and Serbia. Montenegro. Certain goods are additionally prohibited from Libya and Angola. UK consular procedures were upgraded to 100 per cent collateral guarantees. An "and/or" or "either/or" contract was introduced, forcing would-be exporters to make reasonable enquiries to allow any suspensions regarding use of documentation.

This has been consolidated through the launch of March's Export Training Initiative - a package of materials for companies - and the publication of a Code of Practice for Enforcement.

More than 200 annual compliance visits are made by ECO to UK companies to reinforce the licensing process. These are reinforced by the licensing process. These are standard trade instrument around the world, but can be hard to secure in economies with poor credit ratings where banks are loath to build up even the most short-term exposure. "The really bad news is that in countries like Macedonia many banks need at least 100 per cent cash collateral fees for credit," says David Hextor, head of the EBRD's financial institutions group.

The EBRD, like other multilateral institutions, is not a natural alternative supplier of export credits. Only minimal amounts of this form of financing are available to more difficult markets - and after a period of debate over how best to stimulate trade flows. However, the general principle of trade facilitation allowing the EBRD to intervene in trade finance has been accepted, Mr Hextor says.

The EBRD guarantee makes commercial finance a more attractive prospect for correspondent banks. It should help to build confidence in new contacts for financial institutions such as Komercbanka, whose opportunities to develop trade diminished by wider risk considerations. Similar facilities could follow in Russia and Belarus.

The EBRD trade facilitation project focuses on a key problem: how to build capacity to secure commercial deals in difficult markets. Even in countries with more established credit ratings there may be limited capacity to provide the support needed to allow adequate flows of imports. It is often necessary to store inventories in a bank which will open an LC, or to find a distributor or another specialist trade finance provider to facilitate a deal.

A good indicator of capacity and country risk perceptions is whether forfaiters are prepared to provide financing. Forfaiting is a specialised trade finance instrument. The forfaiter, usually a bank, buys the exporter's debt at a discount, providing cash upfront and reducing the exporter's risk to zero. To do this, the forfaiter must be attracted to the market, offered competitive terms and have enough experience.

Usually, the longer the maturity (typically, perhaps) the forfaiter is prepared to buy, the better the risk. Banks and specialist trade finance houses such as forfaiters make the following country observations:

● Colombia is attracting to banks, who are increasingly prepared to confirm Jcs of over 360 days. Forfaiters will finance deals of up to three years.

● Ecuador: securing confirmation for open sight (immediate payment) Jcs is problematic until wider debt problems are overcome, but a few market specialists are beginning to offer deals.

● Venezuela: the collapse of Banco Latino in January has had a significant impact on doing very short-term deals.

There are many, limited to the largest banks and less-known companies. Forfaiters may pick up to one-year financing, but the market is cautious.

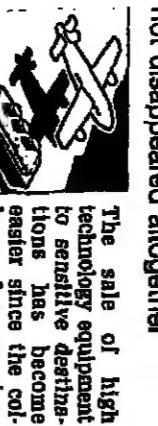
South-east Asia is another focus for the emerging market boom, but trade finance generally tends to be more cautious than the investment community and funding capacity may be limited.

● Vietnam continues to attract financing, but banks are less enthusiastic while pay-

HIGH TECH EXPORTS

Focus of trade constraints shifts

While the demise of Comexco has led to an easing of controls, Alan Spence finds that they have not disappeared altogether



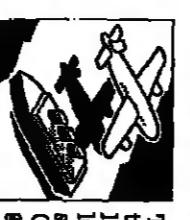
The sale of high technology equipment to sensitive destinations has become easier since the collapse of communism, but strict controls within former Comecon countries have reduced the sale to the region of "dual-use" technology - goods suitable for military purposes specifically designed for military purposes. That the collapse of communism in eastern Europe and the former Soviet Union does not mean that all restrictions have disappeared. The focus of residual controls, for example, North Korea and Iran, especially for developing countries, is reflected in the distribution of export licences issued by the IEC's Export Control Organisation (ECO), a unit within the Department of Trade and Industry (DTI). About 21,000 licences were approved by ECO in 1993, compared to about 10,000 in 1988.

Cocoon's final year was marked by a easing of restrictions, especially for exports of telecommunications equipment, computers and precision machine tools, UK computer manufacturer ICL.

GLOBAL SOURCING

The move towards global purchasing

Kevin Done looks at the way Ford's CDW-27 project is showing how many of the company's planned reforms can be implemented



This autumn, Ford car maker's Player history, the world's second largest carmaker is launching its first ever genuine, a \$200 million project, has helped to lay the foundations for one of the most industrial organisational shake-ups in the US

The programme has already spawned the Ford Mondeo large family car, which was launched in Europe in spring last year, and Ford is preparing to put the older cars, the Ford Contour and the Mercury Mystique, on sale in north America. The CDW-27 project has convinced the company that it is possible to design, develop and engineer a car in one region -

Did you know that you are already represented by over 600 experts in 200 countries across the globe? They contribute to a system that identifies over 40,000 new business opportunities worldwide, and generates £200 million of new exports for the UK each year. This system is used by thousands of UK exporters in part of their export information network - shouldn't you be using it too?

For more information about our Export Intelligence service, and how it can work for you, phone our sales team on 081 900 1313, or write to them at: Prentek Limited, Export House, Wembley Hill Road, Wembley, Middlesex HA9 8BU, fax/fax: 081 900 1268.

Prentek Limited is a wholly-owned subsidiary of Mercury Communications, it operates the Export Intelligence service on behalf of the Department of Trade and Industry.

Code reference: FT1004

INTELLIGENCE

Payment guarantees a step nearer

CREDIT WATCH

Jon Marks and Kevin Godier say an EBRD move to provide guarantees against non-payment by Macedonia is an important step for exporters trying to secure payment in difficult markets

A slow trade facilitation system and exchange delays of up to five months remain. An overhaul of the bank system in winter '94 and Stavros Dimas' appointment as minister for economy and finance will help to improve handling of transactions. Late, smaller short-term loans are possible, Barclays Bank is among those open to western risk perceptions, is that in countries like Macedonia many banks are made by ECO to UK companies to subject to special licensing procedures. These are upgraded to 100 after difficulties with Sonnenberg's amendment to the UN Security Council limits arms embargoes to Somalia and Liberia, and complete embargoes upon trade with Iraq, Haiti and Serbia. Montenegro. Certain goods are additionally prohibited from Libya and Angola. UK consular procedures were upgraded to 100 per cent collateral guarantees. An "and/or" or "either/or" contract was introduced, forcing would-be exporters to make reasonable enquiries to allow any suspensions regarding use of documentation.

This has been consolidated through the launch of March's Export Training Initiative - a package of materials for companies - and the publication of a Code of Practice for Enforcement.

More than 200 annual compliance visits are made by ECO to UK companies to reinforce the licensing process. These are reinforced by the licensing process. These are standard trade instrument around the world, but can be hard to secure in economies with poor credit ratings where banks are loath to build up even the most short-term exposure. "The really bad news is that in countries like Macedonia many banks need at least 100 per cent cash collateral fees for credit," says David Hextor, head of the EBRD's financial institutions group.

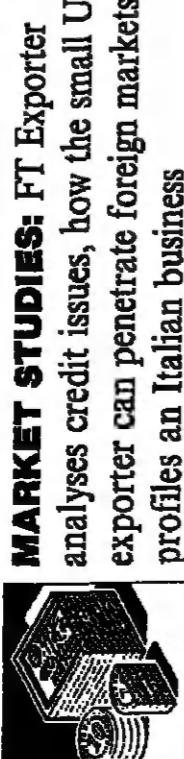
The EBRD, like other multilateral institutions, is not a natural alternative supplier of export credits. Only minimal amounts of this form of financing are available to more difficult markets - and after a period of debate over how best to stimulate trade flows. However, the general principle of trade facilitation allowing the EBRD to intervene in trade finance has been accepted, Mr Hextor says.

The EBRD guarantee makes commercial finance a more attractive prospect for correspondent banks. It should help to build confidence in new contacts for financial institutions such as Komercbanka, whose opportunities to develop trade diminished by wider risk considerations. Similar facilities could follow in Russia and Belarus.</p

Payment guarantees a step nearer

FINANCIAL TIMES THURSDAY JULY 7 1994

FT EXPORTER 14



MARKET STUDIES: FT Exporter analyses credit issues, how the small UK exporter can penetrate foreign markets and profiles an Italian business

CREDIT RATINGS

Downgradings can prove fatal

While ratings agencies are not as influential in assessing risk for trade deals as they are in the capital markets, there are times when they are able to influence a deal, writes Alan Spanses and Jon Marks

OECD export credit rates

Minimum interest rates for export credits (%)

	Jun 18-May 16	Jul 14-Jun 14	Period	DM	US\$	Period	DM	US\$
	Years	%	Years	%	%	Years	%	%
Australia	6	10%	11%	6	7%	7%	7%	7%
Argentina	5	7	7	7	6	8%	8%	8%
Brazil	5	6%	7	7	6	7%	8%	8%
Canada	5	6%	7	7	6	7%	8%	8%
Chile	5	10%	10%	5	8%	8%	8%	8%
Colombia	3	10%	10%	3	7	7%	7%	7%
Mexico	5	10%	10%	5	8%	8%	8%	8%
Uruguay	1	7	7	7	6	7%	7%	7%
US	7	7	7	7	6	8%	8%	8%
Venezuela	1	7	7	7	6	8%	8%	8%
EUROPE								
Austria	7	7	7	7	6	7%	7%	7%
Belgium	5	7	7	5	6	7%	7%	7%
Denmark	5	10%	10%	5	8%	8%	8%	8%
Egypt	5	7	7	5	6	7%	7%	7%
Finland	5	7	7	5	6	7%	7%	7%
France	7	7	7	7	6	8%	8%	8%
Germany	7	7	7	7	6	8%	8%	8%
Greece	3	8%	8%	3	5	5%	5%	5%
Hungary	5	8%	10%	5	6	7%	7%	7%
Iceland	3	8%	8%	3	5	5%	5%	5%
Ireland	5	8%	8%	5	6	7%	7%	7%
Italy	5	10%	10%	5	8%	8%	8%	8%
Malta	5	7	7	5	6	7%	7%	7%
Netherlands	7	7	7	7	6	8%	8%	8%
Norway	5	7	7	5	6	7%	7%	7%
Poland	5	11%	11%	5	6	6%	6%	6%
Portugal	7	7	7	7	6	6%	6%	6%
Romania	1	7	7	1	6	6%	6%	6%
Slovenia	5	10%	10%	5	8%	8%	8%	8%
Spain	7	7	7	7	6	7%	7%	7%
Sweden	5	7	7	5	6	7%	7%	7%
Turkey	7	7	7	7	6	7%	7%	7%
AFRICA								
Dutch guilder (6 yrs)	9.90	8.8%	8.8%	9.90	8.8%	8.8%	8.8%	8.8%
Dutch guilder (6 to 8 yrs)	7.90	7.4%	7.4%	7.90	7.4%	7.4%	7.4%	7.4%
Dutch guilder (over 8 yrs)	8.10	8.6%	8.6%	8.10	8.6%	8.6%	8.6%	8.6%
Ecu	7.67	7.2%	7.2%	7.67	7.2%	7.2%	7.2%	7.2%
French franc	7.53	7.3%	7.3%	7.53	7.3%	7.3%	7.3%	7.3%
German mark	7.32	7.1%	7.1%	7.32	7.1%	7.1%	7.1%	7.1%
Italian lira	8.52	8.1%	8.1%	8.52	8.1%	8.1%	8.1%	8.1%
Japanese yen	4.20	4.2%	4.2%	4.20	4.2%	4.2%	4.2%	4.2%
New Zealand \$	7.98	7.4%	7.4%	7.98	7.4%	7.4%	7.4%	7.4%
Norwegian krone	5.16	5.2%	5.2%	5.16	5.2%	5.2%	5.2%	5.2%
Swedish krona	10.11	9.7%	9.7%	10.11	9.7%	9.7%	9.7%	9.7%
Swiss francs	6.92	6.7%	6.7%	6.92	6.7%	6.7%	6.7%	6.7%
UK pound	6.56	6.5%	6.5%	6.56	6.5%	6.5%	6.5%	6.5%
US dollar (6 yrs)	7.34	6.9%	6.9%	7.34	6.9%	6.9%	6.9%	6.9%
US dollar (6 to 8 yrs)	7.62	7.2%	7.2%	7.62	7.2%	7.2%	7.2%	7.2%
US dollar (over 8 yrs)	8.01	7.6%	7.6%	8.01	7.6%	7.6%	7.6%	7.6%
Source: CED								

wider trend, especially as the ratings agencies do not affect a country's weightiness. "For trade finance, ratings agencies are a factor, but only a minor one," says the chief analyst of a leading London trade finance house. Generally bankers have their own experience and that of other banks in this market," he adds.

For trade deals in eastern Europe and developing markets, many of the countries where trade finance operations are not yet rated by the leading agencies, some agencies, including IBCA, are trying to increase their ratings of sovereign risk in order to broaden the audience for ratings. There are three ways that ratings can have an effect on trade deals.

● When trade-related lending is rated, through a deal being financed by a commercial syndication. Some agents, including IBCA, are trying to increase their ratings of sovereign risk in order to broaden the audience for ratings.

The deal, in which Thyssen pays for its steel directly to an agent for the borrower, allows AINSA to refinance part of its debt and modernise production. The loan has been syndicated in two tranches with pricing set in relation to the NAIC 2 and BBB ratings set by one of the smaller agencies, Duff & Phelps.

● When bond rating sets a benchmark. The appearance of newscasters, such as Slovakia, in the bond market can have an effect on trade finance deals. This becomes most relevant when the bond is priced at a cheaper rate than that which the trade market has set.

Among the established markets that are in line for new Standard & Poor's and Moody's ratings is Pakistan. The ratings will be incorporated in bank's wider perceptions of Pakistani risk, but they will not have a direct effect on trade deals, according to bankers.

Pakistan is already an established finance market with most banks doing short-term - where the terms are tough, the analysts say.

A bond rating will only be part of a

demand for foreign exchange liquidity from Turkish banks remains substantial, one Istanbul banker puts it. Vulnerability of credit, not the price, is the issue for instruments such as letters of credit (lcs). Obtaining these depends on relationships, rather than the market.

From about 300-400 banks which participated in Turkish trade finance last year, only a core of about 40 are still active players. Factoring and factoring instruments have also dried up, as have leasing operations, notably when burdened by long-term rates.

Turkish banks are wary about taking on new Turkish risk. In some cases they are still attracted to Turkish trade finance, last year, only a core of about 40 are still active players. Factoring and factoring instruments have also dried up, as have leasing operations, notably when burdened by long-term rates.

June's treasury negotiated what was seen as a competitive rate in the chronic operations, notably when burdened by long-term rates.

Daniel French, head of international banking for Deutsche Bank, says a European banker with a large portfolio of Turkish trade paper. "But we have stopped; we pulled back when we saw what Standard & Poor's was saying."

The ratings agencies may be less influential in trade deals than in other markets. But when it comes to downgrades, their influence can be felt on the business environment.

There remains a huge demand for foreign exchange to finance trade deals. In spite of its domestic switch to lire,

Export and credit collection survey

Country	Most Recent Rating/Tenor	Collection Delays (Months)	Collection Delays (Months)	Collection Delays (Months)	Most Recent Suggested Terms
Australia	Good	SD	SD	SD	SD
Brazil	Fair	SD	SD	SD	SD
Canada	Good-fair	SD	SD	SD	SD
China	Fair-good	SD	SD	SD	SD
Egypt	Fair-good	SD	SD	SD	SD
Greece	Fair-good	SD	SD	SD	SD
Hong Kong	Good-fair	SD	SD	SD	SD
India	Fair-good	SD	SD	SD	SD
Indonesia	Fair-good	SD	SD	SD	SD
Iran	Fair-good	SD	SD	SD	SD
Italy	Fair	SD	SD	SD	SD
Korea	Fair	SD	SD	SD	SD
Latin America	Fair	SD	SD	SD	SD
Malaysia	Fair	SD	SD	SD	SD
Philippines	Fair	SD	SD	SD	SD
Singapore	Fair	SD	SD	SD	SD
South Africa	Fair	SD	SD	SD	SD
Thailand	Fair	SD	SD	SD	SD
Turkey	Fair	SD	SD	SD	SD
United Kingdom	Fair	SD	SD	SD	SD
USA	Fair	SD	SD	SD	SD
Venezuela	Fair	SD	SD	SD	SD

Footnote 1: CA = open account; UIC = unconfirmed letter of credit; SD = sight draft; 30-day sight draft; 2. Exchange delivery under the terms and conditions of the bank or other confirming bank; 3. Letter of credit; 4. Individual negotiations can vary considerably, depending on the nature of the business; 5. A list of target markets.

Source: Financial Times International Trade Finance, a bi-monthly newsletter published by Financial Times Business Enterprises.

Deutschmarks to Dieter? Lire to Florence? Dollars to Uncle Sam?



For international payments there's only one destination.

Call the hotline number below, or send our coupon, to find out more about how NatWest could save you time and money.

International Trade and Banking Services
Helpline: 071-920 1580

Please complete and return to:
NatWest Bank plc, International Trade and Banking Services, Level 7, 12 Throgmorton Avenue, London EC2P 2BD.
Mr/Mrs/Ms/Ms

Postcode _____
Company _____
Address _____

Telephone _____

Fax _____

Data Protection Act 1998
The information on this form must be given to us in writing or by post or fax. We will use it for the purpose of our business and for marketing purposes. We will not keep your details for longer than necessary. You have the right to withdraw consent at any time.

Please tick this box if you want to opt out of the NatWest Mail Information Programme.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

Please contact me about the new NatWest International Payment Services.

National Westminster Bank plc, Registered Office, 41 Lombard Street, London EC2P 2BP.
We're here to make life easier

